the Freeman

Ideas on Liberty

JULY 1970

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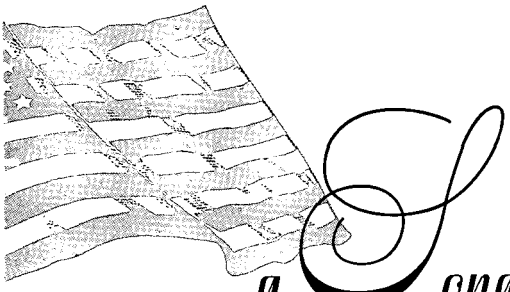

a Song for all seasons

LLOYD J. LINFORD

O! say can you see by the dawn's early light,
What so proudly we hail'd at the twilight's last gleaming....

RING familiar? It should, for that is the opening of what is probably the most "played" song in America, and perhaps in all history. How about it? Can you fill in the rest of the words? The number of Americans who stumble trying to do so might surprise you.

American officialdom dillydallied for many years over the question of a national anthem. It was not until 1931 – some 155 years after the Declaration of Independence – that Congress put its official stamp of approval on "The Star-Spangled Banner." President Herbert Hoover signed the measure into law on March 3, 1931.

Critics of Francis Scott Key's classic – and there have been some over the years – say that Congress still acted hastily and unwisely. They contend that further consideration might have resulted in the selection of a more appropriate song as the symbol of the nation's heartbeat.

The tune's wide vocal range makes it difficult to sing, they claim, and its belligerent yet obscure message is out of step with modern tastes and needs. The oncoming generation, we are jokingly told, finds the song so closely identified with football games and the like that it is regarded as some kind of a sports tune.

Defenders of the anthem agree with some of the shortcomings

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cited, but insist that it serves the nation adequately and well, and that its enormous prestige and world-wide familiarity preclude any serious thoughts of change. To them, junking "The Star-Spangled Banner" would be like destroying a vital part of the nation itself, and therefore is unthinkable.

The silent majority we hear so much about these days hasn't been heard from lately, but silence in this case can only signify at least a certain satisfaction with the status quo.

The fact is, Congress hesitated to act as long as it did simply because of doubts and uncertainties as to the best selection. Many efforts to force legislative action over the years came to naught. A whole series of bills on the subject were allowed to die in committee, with scarcely a hearing, until that august assemblage finally decided to act and gave the United States of America at long last an official national anthem.

Despite obvious reluctance in high places, there was little real room for doubt as to what the selection would be. When Congress finally acted, it was only recognizing and confirming the obvious. For Francis Scott Key's patriotic song had held the honor, in practice and spirit if not in fact, for a half-century or more and had been a favorite of the people ever since 1814 when it was composed.

Making It Official

History strongly suggests that "The Star-Spangled Banner" had the inside track almost from the time it first took the young and shaky nation by storm during the War of 1812. Within a matter of days after Key was inspired to wax poetic about the successful defense of Fort McHenry against the British, the song was a popular hit with the American public, and it was soon being played and sung all over the country.

The tune, which had been borrowed from a British ballad, was already well-known and popular, and the fiery lyrics inspired the hard-pressed patriots to new heights of national pride and dedication.

"The Star-Spangled Banner's" popularity never waned, even when time began to blur the image of its ardent message. It became and remained THE song for patriotic occasions, sometimes sharing the honor with other favorites but seemingly always holding its own.

The song moved importantly toward official status in the 1890's when Army and Navy regulations were amended to require that it be used as the national anthem at appropriate functions. President Woodrow Wilson reaffirmed this

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requirement in 1916 as the nation strived for stature among world powers and inched toward involvement in World War I.

Thus, it was little more than a formality 15 years later when Congress and President Hoover made the selection official.

Other Candidates

Other popularly-acclaimed songs were available – several, in fact. But serious challengers to the supremacy of "The Star-Spangled Banner" seemed to suffer handicaps that worked against them.

The old favorite "America" (My country, 'tis of thee), for instance, has been widely heralded for its hymn-like melody and tranquil lyrics ever since it was written in 1832. But the fact that the tune was the same as that of the British national anthem, "God Save the King," tended to lessen its chances of becoming the official anthem of this country.

Should this have made a difference? Perhaps not. But it did make a difference, especially to Americans of an earlier day who more than once felt the sting of hostile British barbs and power.

The melody of the song in question, incidentally, at one time or another has been copied and used by as many as 20 other nations, and historians are in doubt as to its exact origins. Samuel Francis Smith, who wrote the words to "America," for example, first found the tune in an old German songbook, unaware of any British claims to it at the time.

Another early favorite—and our first national anthem-like song, in fact – was "Hail! Columbia," written during the presidency of George Washington and adapted to the melody of the President's March. Its lyrics call for national unity and peace with an underlying plea for nonintervention in European wars, a hot issue those days.

> Firm, united let us be,
> Rallying round our liberty,
> As a band of brothers joined,
> Peace and safety we shall find.

This song nearly matched "The Star-Spangled Banner" in popularity for many years. But, for one thing, later generations of Americans failed to identify themselves with Columbia, which rivaled America for a time as the name for the new nation, and the song gradually fell behind.

Much the same thing might be said of another favorite, "Columbia, the Gem of the Ocean" (Three cheers for the Red, White, and Blue), which was written in 1843, though it was more a snappy marching piece than a serious contender for anthem status.

The Civil War era brought forth

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a host of stirring songs and ballads whose popularity skyrocketed, and has lingered. But since they were identified in the public mind on a partisan basis with either Northern or Southern causes, they had strikes against them as national anthem candidates.

Included in this category were the Southern favorites, "Dixie" and "Maryland, My Maryland," and the Northern classics, "The Battle Cry of Freedom" and "Battle Hymn of the Republic."

The jazzy Dixie song was composed in 1858 by a Northern song-and-dance man named "Jolly" Dan Emmett for a minstrel show as he yearned for mild southern winters during an especially cold spell of weather in New York. Dixie went on to become the war song of the Confederacy, and it bolstered Southern spirits as no other.

"Maryland, My Maryland," a very moving hymn set to the music of the old German folk song, "O Tannenbaum," was put together in 1861 by James Ryder Randall of Baltimore and spoke vividly for all of the South throughout the War.

"The Battle Cry of Freedom" (The Union forever, hurrah, boys, hurrah!) was composed by George Frederick Root of Chicago to rally support for the Union cause and to aid in army recruiting. So effective were its stirring rhythms and fiery lyrics that some historians credit the song with having inspired the Union on to victory.

"Battle Hymn of the Republic," of course, was the North's leading patriotic song. Mrs. Julia Ward Howe of Boston wrote the words, which have continued to echo down through the years. They were set to the familiar melody of "John Brown's Body." With its partisan Civil War connotations having faded with the years, this powerful hymn is high on any list of all-time favorites.

Another entry in the field that enjoys a huge following is "America, the Beautiful" (O beautiful for spacious skies), dating back to 1893. The magnificent view from the summit of Pike's Peak in Colorado inspired a vacationing New England school teacher named Katherine Lee Bates to compose the lyrics, which were set to the music of a well-known hymn, "Materna."

A more recent challenger that rates more than passing mention is Irving Berlin's "God Bless America," which Kate Smith and others advanced with patriotic fervor into the front ranks of popular music during World War II. Written by Berlin as a hymn for peace, its moving melody is easy to follow and its lyrics relate to universal human sentiments.

A national poll after the war

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listed "God Bless America" as our second most famous national song. Number one? "The Star-Spangled Banner"!

Would results today be any different? Chances are, "The Star-Spangled Banner" is even more widely-known and appreciated. Ask the average American (most of us) and he will respond with something like: "Sure I like it! It's the national anthem, isn't it?"

It is that! And, in the words of flag historian Milo M. Quaife, "it is one of the most remarkable patriotic outbursts ever penned." Somewhat like the American flag, our national anthem "has come to signify honor and love of country beyond price."

The next time someone guffaws in your presence over "The Star-Spangled Banner," suggest that he give the lyrics at least a quick once-over – for old times' sake if for no other. It can be a rewarding experience – like, for instance, these lines at the end of the fourth verse:

Then conquer we must, for our cause it is just,
And this be our motto – "In God is our trust,"
And the star-spangled banner in triumph shall wave
O'er the land of the free, and the home of the brave.

IDEAS ON LIBERTY

The Protection of Property

THE SAME liberal construction which is required for the protection of life and liberty, in all particulars in which life and liberty are of any value, should be applied to the protection of private property. If the legislature of a State, under pretense of providing for the public good, or for any other reason, can determine, against the consent of the owner, the uses to which private property shall be devoted, or the prices which the owner shall receive for its uses, it can deprive him of the property as completely as by a special act for its confiscation or destruction. If, for instance, the owner is prohibited from using his building for the purposes for which it was designed, it is of little consequence that he is permitted to retain the title and possession. . . .

JUSTICE STEPHEN J. FIELD'S dissenting opinion in Munn *vs.* Illinois, 94 U. S., 113. (1877)

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WHAT IS PROPERTY?

WILLIAM W. BAYES

PRIVATE PROPERTY has been the object of attack by socialists ever since the first nonproducer enviously viewed the fruit of the labors of the first producer. Property, like religion, has had ascribed to it all the evils arising out of the hearts of men. The institution of private property, some say, has perpetuated every manner of "social injustice." Karl Marx and Friedrich Engels called for the abolition of private property in the *Communist Manifesto*. Pierre Joseph Proudhon, a social-theorist contemporary of Marx, declared, "Property is theft!" He conveniently ignored the fact that theft has no meaning if there is no concept of property. Present-day proponents of the welfare state assert, in the name of "social justice," that "human rights are more precious than property rights." The inference one is expected to draw, presumably, is that rights belonging to humans are more important than rights belonging to property – except that the human who owns the property is to be dropped from consideration.

These arguments for "social justice"[1] have a common denominator: an appeal to the emotions. Such an appeal is fraudulent. It would be fraudulent even if the unsupported assertions accompanying it were sound. It is fraudulent because it denies that

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[1] The term "social justice" is one that needs to be analyzed. The modifier, the word *social*, implies that justice is divisible, which it is not. Since governments (which enforce justice) are instituted among men to secure the rights of life, liberty, and the pursuit of happiness, any violation of these rights in the name of "social justice" would deny elemental justice.

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one's listeners or readers are capable of interpreting a rational argument. If they are not, whatever action they may take in response to the appeal must be nonrational at best and perhaps even dangerous. Such emotional appeals, carried a bit further, have induced mobs to riot, loot, burn, and kill. One who desires to persuade others to accept a belief or to act in a rational manner ought to define his terms so that his listeners or readers will know exactly what he means when he uses those terms. To do else is to ask others to act on the basis of emotional stimulus, rather than on the basis of reason.

Largely by defining my terms I intend to show: (1) that property, far from being theft, is the result of a creative process; (2) that property so created benefits all, especially wage earners; (3) that property rights and human rights are identical; and (4) that such so-called human rights as "economic rights" are neither economical nor are they rights.

Human Rights Are Property Rights

I have said that the type of argument exemplified by the "human rights *versus* property rights" dichotomy is fraudulent. It is so because it does not define these terms about which it makes bold asseverations. If those who so argue should define these terms, it would appear that logic would compel them to change the relationship of the terms from one of opposition to one of identity: human rights *are* property rights. In order to demonstrate that this assertion is correct, we must first define the word *property*:

> . . . 3. Possessions irrespective of their ownership; wealth; goods; specif., a piece of real estate. 4. The exclusive right to possess, enjoy, and dispose of, a thing; ownership; . . . incorporeal rights, as patents, copyrights, rights of action, etc., . . . 5. That to which a person has legal title; thing owned; . . . anything, or those things collectively, in or to which a man has a right protected by law; . . .[2]

Property, then, is the *thing owned*, such as a material object or an incorporeal right. The above definition also mentions "rights of action." Actually, this *right to act* is the essence of property. If you doubt this, imagine "owning" a piece of property on the planet Jupiter, where you could not get to it or do anything with it. This view is not generally understood, because many tend to think of property as static.

Let us for a moment envision a

[2] *Webster's New International Dictionary* (Second Edition, Unabridged; Springfield, Mass.: G. & C. Merriam Company, 1950), p. 1984.

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supposedly static property, such as a piece of land. Even when an owner of such land seems not to be using it, he is *acting*. Action is, of course, (or should be) determined by purpose. If the owner is holding the land to sell at a profit, he is using it; he is *acting*. His holding of the land is not hurting anyone else; rather, the taxes he pays support government functions. If it becomes essential to society that the land be productively used, at least two circumstances will concur: (1) he will be offered a price that will tempt him to sell the land; (2) the local government will raise his property taxes to a level that will discourage his unproductive use of the land while waiting for a higher price.

Either his land is *not* needed for production or living space by society, in which case its apparent disuse disturbs no one; or the land *is* needed by society for production or living space, in which case its owner will be motivated by circumstances to use it for production, rent it, or sell it. Whatever decision he makes, he will be *acting* for his own purposes; and his own purposes will not conflict with the good of society. Nature abhors a vacuum, and the economy abhors disuse of needed resources; nature will see to it that the vacuum is filled at the first opportunity, and the economy will see to it that needed resources are actively employed. Thus, we see that property always involves a *right to act*. And we have observed that apparent inaction is a form of action. That is why we speak of the right *to* property, rather than the right *of* property. Property, as the *thing owned*, has no rights. Only humans have rights; and these rights, all involving the *right to act*, are *property*.

The Right to One's Own Life

The fundamental right for any human is the right to his own life. He *owns* his own life, unless he is a slave. (Even if he is a slave, he has the natural right to his own life, but he is unable to enforce it or claim it.) His life does not belong to any other person or group. The *thing owned* is his body, and the related *right to act*, or property right, is the right to live. Now, matter is eternal, but human life is not; life must be sustained by procuring and consuming the means of subsistence. If we agree that man has a right to live, we must agree that man may use his mental and physical faculties to procure those means. Since the means (food, clothing, shelter, and the like) do not usually lie readily at hand, he must find or grow the food, manufacture the clothing,

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and build the shelter. In short, he must produce.

To produce is to *create* anything with exchangeable value.[3] To create means, of course, to cause to come into existence what did not exist before. In the literal sense, of course, no man can create; he can only alter the form of things which already exist and discover laws which he can use as means to accomplish his ends. But the new form is something which did not exist before, and this is what we call creation. Thus, growing wheat, building a house, manufacturing clothes or automobiles, painting a picture, and providing such services as transportation, education, and legal advice, are all forms of *creation*. Those which do not involve originality are lower forms of creation, but they are still creation inasmuch as they bring into existence what did not exist before.

Creation vs. Expropriation

This creative aspect of capitalism is in sharp contrast to the *expropriative* aspects of socialism and the welfare state. Under capitalism, everyone is entitled to engage in free enterprise, must bear his own risks, and is entitled to receive whatever returns his creative enterprise will bring him. Under socialism, a man is not entitled to engage in free enterprise, he receives as a wage whatever the authorities decide to grant him, and he has no opportunity to earn more than a subsistence unless he is a high-ranking member of the bureaucracy. Under the welfare state, a man is entitled to engage in free enterprise, must bear his own risks, but is not entitled to receive whatever returns his creative enterprise will bring him. He finds that he is held responsible for those whose mental and physical faculties have been unused or misused. His returns are eroded by the effects of unfair labor laws and all manner of taxes, including the obviously inequitable progressive income tax. He is, in effect, penalized for his creativeness.

A corollary of the right to produce is the right to keep that which one has created. If one may keep this product, it follows that one may consume it, exchange it for goods or services offered by someone else, sell it, or give it away. He may do all these things because the right of the producer, or creator, is anterior to that of any other person or group. To assert that he does not have a primary right is, in effect, to deny him any right whatever. It is to

[3] *Britannica World Language Edition of Funk & Wagnalls Standard Dictionary* (Chicago: Encyclopaedia Britannica, Inc., 1966), Vol. 1, p. 1006.

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say that he holds his property by sufferance of anyone (including a government) who is stronger than he, and that it is proper to plunder. But if it is proper to plunder from the producer, then it must, *a fortiori*, be proper to plunder from one who has himself plundered. It must then follow that only might can make right – one may take from another when one has the might, and one may keep only what one has the might to defend. Unless a person is prepared to accept the "might makes right" philosophy, he must respect another's right to live, to produce, and to consume, keep, exchange, sell, or give away that which he has produced. These property rights, it is important to remember, are dynamic, not static; they involve the right to *act*.

A man retains his property rights in any excess of his production over his personal consumption. It is important to remember, in this regard, that a man's production depends, not only upon his physical strength, but also upon his mental powers, his powers to create: to think, devise, plan, organize, coordinate, and so on. That which is physically performed by an employee is made possible by the producer's investment of his previously created capital and his managerial expertise. *No one else loses* anything by reason of such action by the producer, any more than if he had produced only what he could personally consume. It must be remembered that he is *producing*, not expropriating the products of others.

Everyone Gains

But wait! While no one else loses, others *gain* as a result of this production in excess of personal consumption. The producer may create an enterprise employing hundreds, possibly thousands, of persons. These jobs would not have existed without his creative efforts. Nor would the consumers have the benefit of the products this enterprise produces. In pursuing his own self-interest, producing the means for his own subsistence and achieving his own self-fulfillment, he becomes a benefactor of his community.

Remember Proudhon's dictum: "Property is theft!" We have seen that property is *created* although it is true that under socialism property is not free from the taint of stolen goods. Proudhon, who presumably had the interests of the poor at heart, could not have meant that nonproducers steal from producers (else he would have fought *for* property rights), nor that producers steal from other producers (which would have been a proper subject for criminal law, not for social legis-

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lation); therefore, he must have meant that producers steal from nonproducers or marginal producers. But, if the nonproducers do not create wealth, and if the marginal producers produce barely the means of subsistence, then they have little that may be stolen from them. (Mind, savings, and tools are the chief ingredients in the production of wealth – not manual labor.)

But property does not consist merely of real and personal possessions. Intangible, or incorporeal, rights which we Americans value as priceless, such as those guaranteed by the Constitution, being *things owned* and involving the *right to act*, are property. This means that such rights as the rights to free speech, to worship, to peaceful assembly, and to due process, are all property. If they are property, then the rights involved are essentially property rights. There is no right which is not property, and there is no property which, if not a right in itself, is not a fruit of the exercise of a right. Thus the false polarization of human rights and property rights and the substitution of spurious rights to the property of others, as in the "right" to an education or to a guaranteed annual income, are but further links in the chain of violations of the real human rights, which are all property rights. A human without property rights is without rights.

Our Rights as Property

This view, that rights themselves are property, is a legitimate part of our political heritage. John Locke, from whose writings the Founding Fathers freely drew intellectual inspiration and guidance, asserted that we have property in our persons as well as in our possessions.[4] We have property in our life and in our mental and physical faculties. When these faculties are applied, as by mixing one's labor with nature's bounty, they create tangible property.

Both Thomas Jefferson and James Madison believed that ". . . government may not violate, directly or indirectly, 'the property which individuals have in their opinions, their religion, their persons and their faculties. . . .'"[5]

It is interesting to note that many professors who do not share this traditional view of property pay it unwitting tribute when they insist upon "academic freedom." For so-called academic freedom is nothing more than the right (possessed by every free citizen and not merely by academicians) to hold (*i.e.*, to *own*) opinions and to

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[4] "John Locke," *Encyclopaedia Britannica* (Chicago, 1966), 14:192.

[5] "Civil Liberties," *Encyclopaedia Britannica*, 5:837.

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utter (to *use* and *enjoy* and *dispose of*, as property) those opinions. If they are paid for a speech, an article in a periodical, or a book, they are being paid for the articulate expression of their expert (or, perhaps, merely interesting) opinion. It is absurd to suppose that they should receive payment for something that was not theirs to sell, not their property. The property lies in their opinion which is fortified and given commercial value by their expert background knowledge and their ability to express that opinion clearly and interestingly.

In the case of professorial opinions expressed in the classroom, it should be noted, many writers have emphasized that other property rights than the professor's own are involved and that these deserve protection also.

Economic Rights Derivative

I have said that so-called economic rights are neither economical nor are they rights. There are no economic rights as such; all rights are political rights. The freedom to engage in any type of enterprise, to produce, to own and control property, to buy and sell on the free market, is derived from the rights to life, liberty, and property, together with the *pursuit* of happiness, which are stated in the Declaration of Independence as self-evident truths and are hypostatized and secured by the Constitution. When a government guarantees a "right" to an education or parity on farm products or a guaranteed annual income, it is staking a claim on the property of one group of citizens for the sake of another group. In short, it is violating one of the fundamental rights it was instituted to protect.

To the extent that one citizen must labor involuntarily for the benefit of another citizen, he has lost his liberty and has been subjected to involuntary servitude. To the extent that income which the producing citizen would otherwise invest in capital is diverted to the propping up of a nonproducing or marginally producing citizen, that money is wasted. It is spent rather than invested, and it teaches the citizen who receives the dubious benefit to be dependent upon government. Still worse, perhaps, is the fact that the recipient of largesse from an anonymous, monolithic, endlessly wealthy state loses sight of his real benefactor – the producing citizen. Neither that recipient nor the government is concerned about the use to which the producer would have put his money if allowed to keep it. One thing seems certain: he would have invested his money (whether by means of a bank, the stock mar-

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ket, or otherwise) in a capital pool, where it would have been used to create additional wealth.

The Corruption of Terms

One of the most important means used by the enemies of freedom to bring down our institutions is the corruption of the meanings of words and hence of the concepts for which those words are symbols. These institutions, including that of private property rights, are very dear to the American people and so they must be attacked by indirection. Instead of attacking property rights as here correctly defined and explained, the socialists and other statists use the word *property* in a diminished sense, although they are careful not to define it. Its meaning is thus attenuated, hedged, and qualified, until it seems to represent merely real and personal property of a considerable magnitude.

The mental image is created of a Croesus on the one hand, living in the lap of luxury with a train of servants at hand to attend to his every want; and of an indigent person on the other hand, probably living in a hovel and working in a sweat-shop, if employed at all, for a mere subsistence. The mental image thus created is meant to arouse our sympathy and to obscure questions as to *why* one is wealthy and another poor. It is also meant to obscure the fact that, unless wealth honestly gained is protected from confiscation, anything gained by the poor will be equally subject to confiscation; and equality will be achieved only in want and slavery.

Surely, those who say that "human rights are more precious than property rights" cannot mean by *property* a man's life or a mere subsistence, such as the food a man eats, the clothes on his back, and the hovel in which he may live. They must, therefore, mean that wealth which a producer has *created* in excess of his personal consumption. But it has been shown that such wealth comes into being only as a result of a particular producer's efforts, is not acquired at the expense of nonproducers or the marginal producers, and actually benefits the latter (who receive far more than their manual labor contributes to the product). Thus, the communists, socialists, and other statists set up a diminished idea of property, *i.e.*, great wealth, as a straw man by means of whose defeat they intend to destroy all property rights, which means all rights.

The communists, socialists, and other statists have been aided in this endeavor to corrupt the meanings of words by Americans who do not define their terms and do

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not insist that others define *their* terms. I do not imply that such Americans are communists or socialists or have impure motives. I cannot read motives. But I am able to see the effects of certain expressions and acts; it is acts, after all, which are able to injure and destroy, not motivations as such. I merely offer my opinion that those Americans who permit this corrupted idea of property to be foisted upon them make the task of the socialists much easier to accomplish. They are like the home-owner who leaves his house and does not lock his doors and windows to bar the entrance of burglars. They do not guard the doors to their minds by questioning the meanings of words and concepts and the logical structure of arguments. In so doing, they passively allow their minds to be filled with false concepts. Dupes are not always innocent. They are not innocent if they have not tried to protect themselves.

The Poor Stand to Lose Most from Attacks on Property

Preservation of the full meaning of the word *property* will do much to preserve liberty in this land and perhaps even restore that portion of liberty which has been lost. It will do little good to talk about property rights, unless listeners and speakers construe the word *property* in the same way. We must insist that those who talk about human rights and property rights define their terms, and we must not deceive our listeners by our use of the word *property*. If we permit the degradation of this word to mean nothing more than great wealth, we may as well speak no more of property rights; only the wealthy will listen. We need to show the inseparable link between the right to property, even to great wealth, and the rights to life and liberty. We must demonstrate that production is the *creation* of wealth and that the only expropriators are criminals and unlimited governments. An attack upon private property rights is not merely an attack upon material objects divorced from human owners; it is an attack upon the owners. It is an attack upon production and creativity. It is an attack upon the right to use one's mental and physical faculties (are you professors and reporters and artists listening?) It is an attack upon one's right to act. It is an attack upon the right of the propertyless to dream, plan, and work for a brighter day. It is an attack upon one's right to live — as a free man.

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CLARENCE B. CARSON

Throttling the Railroads

3 The Thrust to Regulation

THE COURTSHIP of the railroads by government ended rather abruptly in the 1870's. Not only were the governmental favors reduced or shut off but governments began to turn their energies to regulating, controlling, restricting, and containing the railroads. True, there had been some opposition to railroads from the beginning which resulted in some restrictive legislation: there were early fears that the human body could not withstand such tremendous speeds as 15 to 20 miles per hour; farmers' fields were sometimes ignited by sparks from train engines; cattle owners resented the threat the moving steam engine posed to their herds; and some people resented the trains running on Sunday. Some states passed fencing laws, and some communities would not allow trains to pass through on the Sabbath.

But, in the main, the people of the United States wanted railroads, and their governments responded by offering various aids and inducements to railroad building, as has been shown. The policies began a major shift in the 1870's, and they were probably accelerated by the Crédit Mobilier exposures. Communities still wanted railroad service, but they turned from inducement to compulsion to get it. In the course of time, railroads became, in the eyes of some, Public Enemy Number One.

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What brought on this about-face? Did railroad rates skyrocket once the public's dependence on this mode of transportation was established? Was service refused to some and reduced to others? Did the railroads cease improving their equipment once they were built? Did the railroads fail to expand markets, to bring goods at competitive prices from distant points, or provide a world market for American farm produce?

Performing a Service

In general, each of these questions must be answered in the negative. A survey of the situation in the latter part of the nineteenth century – the period when the clamor for government intervention was mounting but before such control had been generally instituted – provides impressive evidence of the benefits of the railroads to the American public. Despite the great handicaps under which many of the railroads had been or were being built and operated – such handicaps as heavy indebtedness, haphazard construction fostered by fickle legislation, overbuilding promoted by political expedience, the invitation that government aid and the possibilities of suborning legislatures offered to sharp operators, the technological difficulties of a new means of transportation, the immensity of America and the unfriendliness of much of its terrain and weather – almost all indications are that the railroads were doing a good job.

Energetic entrepreneurs put together great railroad systems out of the hodgepodge of short lines that had been built, linking great cities and providing far-flung services for the hinterlands. So it was with such systems as the Pennsylvania, New York Central, Southern, Chicago, Burlington, and Quincy, Atchison, Topeka, and Santa Fe. James J. Hill wrought the Great Northern with private funds and succeeded in competition with the heavily subsidized Northern Pacific.

Railroad equipment was improved as new technology became available, and service was usually bettered by these improvements. Steel rails replaced wood and iron; flanges were placed on wheels rather than on the rails; passenger coaches with aisles down the middle became standard; sleeping cars were introduced and steadily improved; air brakes and signaling devices added greatly to the safety of the railroads. Interchange arrangements were frequently worked out with other shippers, though initially railroads were sometimes chary of cooperating with one another. The railroads were the instigators of

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a standard time within time zones for the whole United States, a system that was much later prescribed by the Federal government. That privately-owned railroads were generally improving the quality and extent of their service should be beyond doubt.

Rail Rates Were Declining

As far as rail rates were concerned, they usually declined from the 1870's to the early twentieth century. Only in three years – 1878, 1880, and 1883 – was there a counter movement in freight rates. In 1868, the average railway revenue per ton mile was over 1.9 cents; by 1900, this had been reduced to only a little more than .7 cents.[1] Of the benefits of the railroad to wheat farmers in opening up markets to them, one book has this information: "Mr. Edward Atkinson has estimated at 66 cents the saving effected from 1873 to 1887 in the cost of growing a bushel of wheat in the United States, carrying it 1,200 to 1,500 miles by rail, and by lake and rail, to the Atlantic seaboard and thence by vessel to Liverpool. Not less than 50 per cent of that saving Mr. Atkinson attributed to the reduction made in the charge for carrying the wheat to the Atlantic, 25 per cent to the reduction in the charges for ocean transportation, and only 10 per cent to the reduction brought about in the cost of planting and harvesting."[2] Andrew Carnegie was, in part, remarking the marvelous impact of the railroad, when he said: "To make a ton of steel one and a half tons of iron stone has to be mined, transported by rail a hundred miles to the lakes, carried by boat hundreds of miles, transferred to cars, transported by rail one hundred and fifty miles to Pittsburgh. . . . How then could steel be manufactured and sold without loss at three pounds for two cents? This, I confess, seemed to me incredible . . . but it was so."[3]

Of course, the greatest benefits from rail service went to consumers, both domestic and foreign – that is, to virtually everyone. Americans quickly became accustomed to having on the shelves of their stores products from all over America and from much of the rest of the world. They not only could have them with great predictability, but they could also have them much cheaper than ever before in the latter part of

[1] Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1965, 2nd ed.), p. 334.

[2] Hugo R. Meyer, *Government Regulation of Railway Rates* (New York: Macmillan, 1906), pp. 212-13.

[3] Fite and Reese, *op. cit.*, p. 294.

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the nineteenth century. The decline in rail rates was measured by the consumer in the general decline of prices, a decline that was sometimes absolute and at others relative to wages.

Why, then, was the political power of the state and Federal governments turned against the railroads? That power is traced from and responsible to the American people. And, the American people were surely the beneficiaries of the railroads. The explanation is that some portion of the American people did not see it or understand it this way, that they had come to view the matter from other angles than their common interest as consumers. Much underlay the thrust to regulation, but what was involved can be reduced to and treated under five headings.

1. Opposition to Big Business

The railroads were among the first large corporations in the United States. In the 1870's several had or were to become giants, doing business across the lines of several states or territories and extending their tracks over whole regions. These great corporations owned thousands (or even millions) of acres of land, numerous freight and passenger stations, thousands of miles of track, and thousands of pieces of rolling stock. They frequently bought out smaller railroads and extended their facilities into new areas or covered more fully the old. By cooperation with one another the railroads were providing nationwide transportation facilities, and in their wake other businesses became nationwide, spearheaded by Standard Oil.

Americans have long been ambiguous in their attitudes toward and treatment of big businesses. They have patronized them, else they would not have become big businesses. Those who live in towns or cities where corporations are headquartered take pride in their edifices and the number employed is often a local boast. Men seek employment with large corporations, for they observe that pay is better and jobs more secure. Yet, Americans often bestow their vote on those who claim that they will bring the corporations to heel, who describe them as irresponsible leviathans which must be regulated and controlled, who engage in antibusiness demagoguery. A double standard of behavior when applied to economic and political realms appears to be involved.

A part of this animosity toward big business can most likely be ascribed to just plain human cussedness. People quite often like to think of the mighty being brought

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low, are jealous of the successful, and behave inconsistently and irresponsibly at the ballot box. (Where is there a greater lure to irresponsible behavior than in voting? Men may vote for the demagogue who appeals most breathlessly to their prejudices and then denounce politicians for their inconstancy and venality.) Moreover, people are apt to be suspicious of anything large, removed from their direct surveillance, and whose workings they do not understand. Thus, they are ready enough, in the main, to believe the worst of large businesses.

All Industries Affected

The opposition to and fear of the railroads did, however, have a particular historical setting. The growth of large railroad corporations was paralleled by the growth of other large businesses. In the last two decades or so of the nineteenth century, it appeared, or could be made to appear, that consolidation was leading toward the domination of whole industries by single companies. While this did not immediately portend for the railways, a similar result might be achieved by pooling, or so it was feared. Nationwide industries were something which Americans had not yet much experienced. Would energetic companies squeeze out all competitors and be in position to practice extortion on the American people? That such a view did not take into account the exigencies of business, the potential role of competitors in the free market, or what it would be most profitable for a business to do, does not mean that it could not be believed. What would happen in most industries would be that once one company had shown how to provide goods or services on a nationwide scale others soundly financed and well managed would follow in their path. So it happened in the oil industry, and many another.

Meanwhile, critics turned the searchlight on the railway industry and found in their practices — whether innocent or not so innocent but, whichever, determinedly misunderstood — dangers to the republic and potentialities for spreading evil. Traffic associations and pools would permit the railroads to act monopolistically. Rate differentials between large and small shippers were prejudicial to the "little man." The railroads issued many free passes, and these were described as efforts to suborn public leaders and officials. Railroads sometimes "discriminated" by charging more for a short haul than for a long haul. Even competition, when it resulted in lowering of rates, was frequently described as ruinous and dangerous.

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Examination into the basis of railway practices will be taken up later, but the point here is that they were described in such a way that some came to think of the railroads as a menace to be contained.

2. The Ambiguous Legal Status

The railroads have paid, and continue to pay, an excessively extortionate price for the early favors received from governments and, what is more to the point, so have and do the shipping and traveling and consuming public. This latter point needs to be kept ever in mind. Governmental agents can conceive of all sorts of devices by which to penalize and constrain railroads, but they have hit upon none, to my knowledge, which have not been passed on in one way or another to the public. Even so, governments have beset the railroads with all sort of taxes, regulations, restrictions, and controls. The bases for part of these were the favors granted and for much of the rest the ambiguous status that these confirmed.

The railroads were bred in legal ambiguity, developed in limbo, and have languished in a maze of regulation and restriction which was issued on the basis of this dubious status. Law in the United States, with the exception of Louisiana, is a combination of the common law – that is, English practice, immemorial custom, precedents set by judicial decision – and legislative enactments. In the absence of specific constitutional provision and subsequent legislative enactment, the common law generally prevails. The common law is itself a wondrous maze of judicial decisions reaching back to the dim English past and threading through the centuries in any particular matter amidst changing cultural patterns. It embraces both relics of feudal serfdom and modern contractual relations of free men.

Railroads were chartered as corporations. The corporation arose as a medieval device by which various groups were authorized and granted privileges and immunities. Its most obvious use was the chartering of towns and communities as political units, a practice continued by the states in America. Corporations were, then, governmental or semigovernmental in character. Railroad corporations had some of the residues of this governmental character, since they could, under court supervision, exercise the power of eminent domain. The getting of a charter involved the tacit or explicit acknowledgment of the authority of the sovereign – in this case, the state – to lay down rules for the operation of the corpora-

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tion. The charters of railroads usually either spelled out such rules or reserved the privilege to regulate rates, and so forth. Historically, charters had frequently been given for such undertakings as bridges and roads. The public was said to have a special interest in these; they often had monopolies; and their fees were subject to supervision.

The public or private status of the railroads was further confused by aids granted for their building. That railroads should receive land grants, use the credit of government, or be subsidized certainly implied that they had a different public character from that of, say, farms.

The railroads, it turned out, were not thoroughfares, not necessarily nor particularly monopolies, nor once they were finished with the power of eminent domain were they governmental. A doctrine was exhumed from the past to define their legal status. It is the doctrine, as we know it, that they are common carriers. This doctrine has its roots in the Middle Ages in the notion that certain sorts of undertakings are common callings. As one writer describes the matter, "For some reason that is not entirely clear certain of these common callings, including the services of innkeepers, wharfingers, ferrymen, and carriers were singled out for special consideration by the courts, and a body of court decisions grew up limiting the freedom of action of individuals engaged in these businesses."[4] The common carrier doctrine as it took shape required those who undertook to serve in this capacity to serve all comers on equal terms and at reasonable rates, among other things. (There were, of course, protective limits to the service that had to be provided.) The implicit serfdom here is appropriate to the time of its origins and helps to account for some of the resentment customers of the railroads encounter from personnel. Americans, at least, do not like to be made to serve, but welcome the opportunity when they are free to do so or not.

Mercantilistic Vestiges

The stage was set for bringing these medieval relics into play by the acts of incorporation and aids granted to the railroads. Even so, they might have been permitted to continue to atrophy, as they were for a time. From the early years of railroad building into the 1870's the tendency in the United States was away from medieval and mercantilistic practices toward full-fledged private property in provi-

[4] Russell E. Westmeyer, *Economics of Transportation* (Englewood Cliffs: Prentice-Hall, 1952), p. 94.

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sion of goods and services, toward competition and away from chartered monopolies, toward allowing prices to be set in the free market, toward making the privileges of incorporation available to all by general acts of legislatures. Railroad historians generally agree that states did not much exercise their powers of regulation and that when they early attempted to do so they either abandoned the attempts or did not pursue them vigorously. With the abandonment of extensive aid in the 1870's, the railroads might have become fully the private property of their owners to use as they saw fit, subject only to general laws and such specific ones as might be necessary for public safety. In the 1880's the Supreme Court confirmed this direction by declaring that corporate property was property in the meaning of the Fourteenth Amendment and protected by it.

Once the hue and cry was raised against the railroads, the relics in the comon law served as a basis for regulation. The charges against the railroads acquired much of their force from the supposed public character of the roads. What the railroads charged and the service they provided would be only the affair of contracting parties if they were fully private; if they were semipublic (or however it should be described), their charges would be of public interest and might be publicly determined. When the Supreme Court decided in the 1880's that the so-called Granger laws regulating railroads were invalid for interstate shipments, an additional basis for regulation was supplied by the commerce clause of the United States Constitution. None of these laws or precedents or constitutional provisions caused the regulation of the railroads; instead, they served as a legal basis for the action and added impetus to the thrust to regulation by supporting the notion that railroad practices were of public concern.

3. *Political Face Saving*

It became politically advantageous to be against the railroads in the latter part of the nineteenth century. This did not come about so much at first because of public opposition to the railroads as because of public distrust of politicians. For several decades scandal after scandal occurred as a result of government grants to railroads. The culmination came nationally with the Credit Mobilier revelations, which were associated with other scandals of the Grant Administration as well as those of Reconstruction state and local governments. Politics and politicians

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were very nearly discredited for many Americans. How deeply politicians became mired in scandal is illustrated by this example from Wisconsin in the 1850's involving a projected railroad:

> With eight exceptions – those who were to benefit in other ways – each legislator who voted for the bill received a package containing the promised amount of La Crosse and Milwaukee securities. A few who had rendered special services, such as Senator Hadley and Assemblyman Falvey, received more than their colleagues. In addition, the comptroller, the lieutenant-governor, the chief and assistant clerks of the Assembly, and the governor's private secretary also received five or ten thousand dollars in securities. Kilbourn had a package of ten thousand dollars worth of bonds prepared for Judge Abram D. Smith of the Supreme Court, and Governor Bashford got fifty thousand dollars worth. The two senators and twelve assemblymen who did not vote received no package. Six senators and seven assemblymen refused the bonds and voted against the bill.[5]

Such scandals not only reflected on the individuals involved but upon the profession of politician itself.

Much of the public ire was turned on the politicians initially, though of course the bribers were guilty along with the bribed. The "scoundrels" were sometimes turned out of office wholesale in states. Constitutions were adopted which greatly restricted state grants and aids to businesses. Legislative acts sometimes doubled the penalties for bribery when committed by public officials.

But there was another route politicians could take to save face and reclaim some public respect. It was to shift the onus from politics to business, to expose businessmen as malefactors and reveal politicians as guardian angels. Possibly, no one thought it out in such all encompassing fashion. In fact, however, such a shift did occur. What an individual politician could do would be to vote against the railroads and establish his innocence of bribery. A vote to contain, obstruct, and restrict big business could be worn as a badge of innocence.

4. Interest Group Support

The thrust to regulation gained ground by focusing attention on the impact of the railroads on particular groups, locales, and regions rather than upon the general interest – i. e., that of consumers. Group was ranged against group, interest against interest, community against community, and region against region. Historians have often written as if the situation

[5] Robert S. Hunt, *Law and Locomotives* (Madison: State Historical Society of Wisconsin, 1958), p. 14.

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were one in the latter part of the nineteenth century in which the railroads were pitted against the general welfare of the United States. This is nonsense; the already indicated benefits to consumers proves the contrary. Nor were big businesses pitted in class array against the general welfare. They were much more apt to be pitted against one another in ways beneficial to the rest of the country; anyone who will take off the Marxian blinders can ascertain this for himself.

But to say that railroads benefited everyone as consumers is not to say that all were benefited equally, and they certainly did not benefit all producers and distributors and communities equally. There was the rub! When the railroads were being built, the merchants, manufacturers, farmers, and the people of an area in general had great hopes for what the railroad would do for them. Those in small communities had visions that their villages would become trading centers, manufacturing and mining centers, centers of art and culture, and even great cities. One railroad historian describes the spread of such notions this way:

> The inception and progress of the [railroad] fever came in time to have a pattern. First, some up-and-coming individual, or simply a fanatical dreamer, said forcibly that what his home town of Brownsville needed, if it were to share in America's great destiny, was a steam railroad. He talked the idea to anyone in Brownsville who would listen or could not get away, and the more he talked..., the better the idea seemed to him. It grew and blossomed and burgeoned and even soared.... It also dripped with gold, gold for all of Brownsville, soon to be a mighty metropolis, teeming with commerce, with industry, with the stir and bustle of countless travelers.[6]

Impossible Dreams

Such dreams did sometimes become realities. Some villages did become metropolises, aided by the railroad. One could name, off hand, Chicago, Denver, St. Paul, Atlanta, Kansas City, and Fort Worth. But for most of them it was an impossible dream. The railroad was built through the town, but it remained what it was before — a small town. The fault, it was alleged, lay with railroad practices, particularly the differential in rates to localities. If Social Circle, Georgia, could have the same rate from New York as Atlanta (such a case was once heard), it, too, might become a great trading center.

[6] Stewart H. Holbrook, *The Story of American Railroads* (New York: Crown, 1947), p. 40.

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Small towns were not the only ones in which there was interest in manipulating rates to local advantage. New York City exporters wanted to maintain their favorable position in relation to other eastern ports. Eastern ports wanted as good or better rates from the railroads for midwestern produce as Gulf ports. An early study of the cases brought before the Interstate Commerce Commission indicates that in case after case it was business interests within communities ranged against the railroads. The author concluded that "in most of the cases brought before the Commission the conflict has not been between the railways and the people, but between one section of the public and another section of the public, each such section being served by its particular railway or railways."[7] The railroads were, of course, caught in the middle. Generations of historians have taught that it was railroad discrimination against poor western farmers that produced the Granger laws. Recently, a historian has rediscovered the fact that proposals for rate-law reforms, "sponsored for the most part by merchants and businessmen, can scarcely be interpreted as agrarian attacks upon the business community. On the contrary, they were designed to protect vested commercial interests. . . ."[8] Or, I might add, to promote certain commercial interests.

A new order of political priorities existed, then, once the railroads were largely built. When railroads were being projected, the politician's advantage lay with getting railroads built into the area where his constitutents lived. Once the railroads were built, the pressure was on the politician to use political power to secure an advantage for his constituents from the railroads. If only one reason could be given for the thrust to regulation, this would be it.

5. *Socialist Ideas*

However, it is doubtful that local chambers of commerce, special interests of local producers and distributors, or communities ranged against one another could have brought off and maintained the sustained political assault on the railroads. They would need allies, and they got them. After all, the quest of businessmen for special advantage is easily unmasked as vulgar self-interest. Any political cause that is advanced for a considerable period of time requires a rhetoric which

[7] Meyer, *op. cit.*, p. 337.

[8] George H. Miller, "Origins of the Iowa Granger Law," in Harry N. Scheiber, ed., *United States Economic History* (New York: Alfred A. Knopf, 1964), p. 311.

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will give it the ring of nobility. The rhetoric for this cause was provided by socialism.

Socialists could, and did, link together the various thrusts and provide ideological foundations for them. Socialists were at the forefront of those denouncing big business. Marx, and others, had proclaimed that businesses would grow bigger and bigger until all competition had been extinguished. Despite the brave progressive talk, socialism contains a large measure of nostalgia for medieval practices in which property was not quite private; hence, it could and did subsume such doctrines as that of a common calling. Socialists read the whole conflict in terms of class conflict, gave politicians a rhetoric, and allowed them to appear noble when they advanced the special interests of their constituents, or tried to do so. Above all, socialism provided the egalitarian emphasis in terms of which railroad practices appeared to be unfair.

How socialism entered the stream of American politics is too complicated and abstruse to be told in detail here. Tiny socialist groups were being organized by the 1870's. Socialist ideas informed such labor organizations as the Knights of Labor. The Grange and the Farmer's Alliance at least provided organizations within which the ideas could be spread. Third parties, such as the Greenbackers and the Populists, were definitely under the influence of socialist ideas. Various intellectuals, utopians, and reformers helped to give voice to ideas drawn from socialism. From these varied sources they came to influence American political action.

Railroads Used as Scapegoats in Latter Nineteenth Century

The railroads were the leading villain of radicals in the latter part of the nineteenth century. The following is an indictment of them by a man who frequently lectured for the National Farmer's Alliance. He said that "the railroads are now menacing the peace and prosperity of the country in a far more grave and dangerous manner than was thought of by the people a half-century ago. Their power to centralize population, to control the commerce of the country, to build up a city or tear it down, to prosper one businessman and ruin another, to control legislatures and Congress, to pack courts, is what the people have come to fear."[9]

Senator William Peffer described the situation of the farmer in this way in 1891:

[9] N. B. Ashby, "Transportation," in Irwin Unger, ed., *Populism: Nostalgic or Progressive* (The Berkeley Series, 1964), p. 27.

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. . . The railroad builder took the initiative. Close by his side was the money changer. The first took possession of the land, the other took possession of the farmer. One compelled the settler to pay the price fixed upon the railroad lands by the railroad; the other compelled the settler on the public lands within the grant to pay the increased price, and to borrow money through him to make the payments on both. This system continued until the farmer, accommodating himself to prevailing conditions, was in the hands of his destroyers.[10]

General James B. Weaver, Populist candidate for President in 1892, belabored the railroads in this fashion:

In their delirium of greed the managers of our transportation systems disregard both private right and public welfare. Today they will combine and bankrupt their weak rivals, and by the expenditure of a trifling sum possess themselves of properties which cost the outlay of millions. Tomorrow they will capitalize their booty for five times the cost, issue their bonds, and proceed to levy tariffs upon the people to pay dividends upon the fraud.[11]

The doings of certain railroad financiers have long been the stock-in-trade stories of reformers. Here is Thomas E. Watson, another Populist, declaiming against Collis P. Huntington and Leland Stanford for allegedly taking funds from their company for nefarious ends:

It's not all they took, by a jug full.

At this good hour Huntington, instead of being behind the bars as a convicted thief, is one of the Grandees of Plutocracy, and Stanford, instead of being in jail, is in the United States Senate!

Of course, had these men stolen a bunch of cattle, they would have been shot down without ceremony....

But they showed better judgment.

They stole enough to buy Judges, corrupt Legislators, and muzzle the Press.[12]

Those who would use governmental power to control the railroads, then, took the attention away from the benefits of the railroads to focus upon railroad practices. In order to evaluate their charges and the potentialities for harm in the fears they raised, it will be helpful to examine into the economics of railroading. This will provide a basis, also, from which to explore the impact of intervention.

[10] Quoted in Vincent P. De Santis, *et al., America Past and Present* (Boston: Allyn and Bacon, 1968), II, 185.

[11] Thomas A. Bailey, ed., *The American Spirit* (Boston: D. C. Heath, 1963), II, 520.

[12] Paul Glad, ed., *The Process of American History* (Englewood Cliffs: Prentice-Hall, 1969), p. 144.

Next: The Nature of Railroading

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JUDY ANNE HEADLEE

Patriotism:
TO BE OR NOT TO BE

"THE FLAG IS DEAD!" exult moratorium demonstrators, and teachers and school administrators shake their heads knowingly.

"We must blame American traditions and morality," conclude the educators, "for goading the youth into resistance. In an age of international peace-seeking and social liberality, patriotism is obsolete."

Oddly enough, the more the academicians denounce prayer and pledges of allegiance, the more they compound the problem of student violence. Like sage Socrates, who was excessively wise yet could not, in his wisdom, control Xanthippe, they fail to approach their own problems directly. They fail to realize that unrest among students has not been caused by unreasonable authoritarian demands for loyalty, but by the gradual removal, over the past two or three decades, of demands for loyalty from the curriculum.

The roots of the problem reach back to the time in American history when the emancipation of women and urban mobility, among other things, caused the home to relinquish much of its control over the morals and ideals of youngsters. The unhappy recipients of this misplaced moral responsibility were, of course, the schools. Zealously trying to be objective and academic in the spiritual as well as the factual realms of knowledge, many teachers demonstrated a haughty distaste for their roles as guardians of American morals. They began to stress the basic irrationality of teaching respect for family, self, country, and God. From there they proceeded to the assertion that the latter values are contrary to the principles of universal peace and interracial understanding – prin-

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ciples basic to the assumption that love of self and country must be replaced by an all-consuming love for one's fellow men at large.

A typical expression of this educational "humanism" can be found in the writings of Urban Whitaker, a coordinator of education at San Francisco State College and a one-time trustee of the San Bruno Elementary School District. Whitaker speaks of the need to "seek to de-emphasize the narrower emotions of nationalism in favor of a more humanistic world view." In discussing the "narrower emotions of nationalism" he continues,

> Perhaps the leading example on the emotional side today is the pledge of allegiance. Allegiance to the United States of America – one country among more than 130 in the world – is not taught as a reasonable thing. Nor is it taught in a reasonable way. But it is taught in every class, every day, of every child's public school training. We are *indoctrinating* our children to believe, emotionally rather than rationally, that it is good, right, and patriotic to place the interests of Americans, who are only six per cent of the world's peoples and already fantastically better off in material welfare than all the others, above the interests of humankind in general. Such a proposition is . . . downright dangerous.[1]

[1] Urban Whitaker, "War/Peace: The Magic Formula," *California Elementary Administrator*, 31, May-June, 1968, p. 21.

Faith Essential to Stability

At this point we will ask Mr. Whitaker and his fellow administrators exactly what is so dangerously irrational about nationalistic self-interest, and, to whom is it dangerous? Nowhere has it been proven that patriotic devotion to the interests of one country generates denial of "the interests of humankind in general." To suggest that such a denial is inevitable is as absurd as to suggest that the love of a man for a particular woman is inimical to his ability to love his fellow man. And, romantic love is not more basic to human nature than religious love or patriotic love.

In fact, patriotism is much akin to religious faith. Like religious faith it can be logically discounted, yet is totally necessary to man's sense of direction, integrity, and belief that he is a significant integer in a larger scheme of spiritual good. We can say that godliness and loyalty, and an apprehension of right and wrong, are not only abstract, but also entirely relative to the time and place in which one lives. We cannot say, however, that right and loyalty do not, therefore, exist as definable qualities – definable, that is, in terms of the nonabstract human organism. In other words, "right" can be defined as that which preserves the social stability of the

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organism, and "wrong" is that which destroys such stability. Any organism must develop those attributes needed to defend and preserve itself. The human organism, being gregarious, must, to preserve itself and its integrity, also preserve the society of which it is a part. In these terms, loyalty to society, and to one's nation, are "right," while immorality, treachery, and atheism are "wrong."

Psychological Moorings

If we still doubt that national allegiance is rational, we can turn to psychology for reassurance. Erich Fromm, noted psychologist and philosopher, in his book, *Man for Himself*, suggests not only that man needs faith, but also that he cannot live without it. "Devotion to an aim [such as success or prestige], an idea, or a power transcending man such as God," asserts Fromm, "is an expression of [man's] need for completeness in the process of living." That is, the healthy, mentally stable person is the person who loves himself enough to want to preserve himself, and, in preserving himself, relates to his immediate environment with love, responsibility, and loyalty. Because that person can know and love himself, he can also know what is good for him. Because that person can know and love himself, he can also know what is good and moral for others. Because he needs to be loyal to himself in order to gain a sense of identity, he also needs to be loyal to others in order to develop that sense of identity. In other words, patriotism gives each individual the pride of self-identification which is vitally necessary if his mind is to be healthy and productive.

Of course, a certain sense of identity can also be gained through the development of universal understanding. There is no reason to doubt that the liberal ideal of world unity and universal love is reasonable. Man must link himself to his fellows with interest and compassion, knowing that life is essentially not a drama of the hunter and the hunted, but a complex of interpersonal relationships. Even so, world unity cannot come by discounting national unity. National unity is the first step toward world unity, just as a child's first step toward love of others is love of his mother. The child's ability to love grows outward from himself, its spiral including more and more people and objects that he encounters in his environment. If this spiraling growth is arrested or interrupted, he becomes prone to crippling doubt and mental disruption.

Many American youths who, doubting the integrity of the

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United States, stage violent demonstrations, are suffering from a disruption in the growth of their ability to love. Un-American and atheistic societal elements have persuaded them that they can and must eliminate the milestones of loyalty to God and country which lead to universal love. Missing these milestones, they suddenly feel as if they have no country, or that their country has done them some grave injustice. Brazenly rocketing toward the desirable ideal of world unity, yet out of the path which goes toward that objective, they are, essentially, lost in space.

Sudden Changes and Breakdowns

The fact that so many youths are irretrievably lost, and the fact that patriotism is at such a low ebb in this country, is indicative of the sickness that besets civilization when it changes too rapidly, or embraces change for the sake of change. Our civilized mentors, our teachers, tend to feel that nationalistic observances are "cultural lags" which harken back to a primitive, inferior way of living. Yet, the realization that the new lack of nationalism has not improved our ways of living should suggest to them that they have tried to overthrow a life-style that really enhances, rather than retards, our collective well-being.

Certainly the need has not passed for formal observances, however much like primitive tribal ceremonies, to discipline the youth to fight bravely and proudly. Loyalty is as much a discipline as it is a subjective bond. The instilling of a belief in national unity as a possible and positive good is a necessary exercise for the channeling of youthful inquiry into fruitful fields of endeavor. Through such discipline, the loyalties of young people will become increasingly complex, spiraling outward from neighborhood to state, state to nation, nation to the world, and becoming true, solidly-based, and mature bonds of unification.

Yet, even if patriotic discipline were unnecessary to develop world loyalty, patriotism would be the only cause championed by a particular group of people which could successfully transcend the barriers of race, religion, and political party in this country. For these barriers are immediate and, it is widely asserted, peculiar to this nation, and can only be prevented from becoming extreme by the presence of another cause which is also peculiar to the nation and ultimately responsive to the needs of the people. Love of men in general cannot meet local needs or tear down local barriers, because loyalty and love are, at best,

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abstractly and vaguely understood when conceived of in general terms, or on a large scale. In order to become meaningful and to inspire positive action, motivation, and interest, abstract emotions must be particularized. They must be directed toward a symbol or body, that is, a person, a flag, or a coat of arms.

Indeed, human nature has always found it necessary to particularize and symbolize its highest ideals with idols, monuments, medals, and other material objects — objects which man can fashion and improve with his intellect and his artistry to rival all other objects in his environment. Perhaps this need to translate the abstract into the concrete accounts for man's inability to face death with confidence. For even a man who believes in a heavenly afterlife can be afraid of dying. Why? Because life in a realm of universal beneficence and beauty is not totally attractive to the human spirit. Man, with his competitive nature, is only attracted where his realm can be thought to be better than another's, or where he can work to make it better. The person who does not feel that his surroundings can be improved through his own efforts is rootless indeed, and probably suffers from frustration and suicidal impulses.

And all too many people in this country do suffer from frustration and despair, having been deprived of the knowledge that patriotism is rational, logical, and psychologically necessary. But if satisfaction of basic human needs is not desirable enough to engage the dissatisfied American, there is much more to be gained from patriotism. National loyalty is, in a sense, an invaluable "social security" system, which, in return for active interest and allegiance, provides positive benefits to the investor. That is, a nation, with the support of its people, can furnish the benefits of public education and of equal protection of the law. Such advantages cannot be provided unless they are based upon the common interest, and belief in the common good, of the people. Without the confident support of the people, public education becomes private indoctrination, and the protection of the law becomes autocratic control.

Emotional Rewards

But patriotism's good points are not all couched in direct benefits and mental gratuities. The real advantage of national observances lies in their emotional rewards. Of course, the detractors, the Urban Whitakers, insist that it is the subjective, emotional quality of allegiance that is its weakness. A

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brief study of the history of civilization, however, might suggest to them that the most enduring aspects of civilized life have been, in essence, subjective. The legal and political records of Ancient Greece are historically interesting, but hardly memorable. Yet we do recall the poetic triumphs of the Greek poets, including Sophocles' ode to mankind:

> Many are the wonders of the world,
> And none so wonderful as Man.
> Over the waters wan
> His storm-vext bark he steers,
> While the fierce billows break
> Round his path, and o'er his head:
>
> So soaring far past hope,
> The wise inventiveness of man
> Finds diverse issues, good and ill:
> If from their course he wrests
> The firm foundations of the state,
> Laws, and the justice he is sworn
> to keep,
> High in the city, citiless I
> deem him,
> Dealing with baseness: overbold,
> May he my hearth avoid,
> Nor let my thoughts with his, who
> does such deeds, agree![2]

Like poetic sentiment, patriotism is feeling—feeling that is both controlled and directed. It is a complex love of men, landscapes, ideals, and ways of living that does not limit the mind, but directs it toward making faith a reality. In other words, the patriot loves his way of life enough that, wherever faults exist in it, he has reason to want to correct those faults.

When nationalism, thus, becomes a sentiment that expands the intellect and ennobles the soul, it also contributes to the cultural progress of civilization. Many of the world's greatest acts of heroism and works of skill have been accomplished for nationalistic reasons. The Greek Classical Age and the Elizabethan Age were two of the most patriotic periods in history. These ages, during which there was tremendous concern with idealism, honor, and what was "right," were also the most vibrant, the most creative, and the most culturally productive ages in the history of mankind. Shakespeare, the greatest poetic genius of the English language, and the bright star of the Elizabethan Age, spoke of his nation in reverent terms:

> This royal throne of kings, this
> scepter'd isle,
> This earth of majesty, this seat
> of Mars,
> This other Eden, demi-paradise,
> This fortress built by Nature for
> herself
> Against infection and the hand
> of war,
> This happy breed of men, this
> little world,

[2] From the *Antigone* by Sophocles, translated by Charles Robinson, Jr., *An Anthology of Greek Drama*, 1962, p. 112.

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This precious stone set in the
silver sea,
Which serves it in the office of a
wall
Or as a moat defensive to a house,
Against the envy of less happier
lands,
This blessed plot, this earth, this
realm, this England,
This nurse, this teeming womb of
royal kings,
Fear'd by their breed and famous
by their birth,
Renowned for their deeds as far
from home,
For Christian service and true
chivalry,
As is the sepulchre in stubborn
Jewry
Of the world's ransom, blessed
Mary's Son,
This land of such dear souls, this
dear dear land,
Dear for her reputation through
the world,
Is now leased out. . . .[3]

Thus, historically, when men like Shakespeare have partaken of national pride, they have also believed in their own worth as human beings and have been able to put that belief to good use artistically, intellectually, and scientifically.

Ultimately, it must be concluded that only those who do not wish a nation to prosper culturally, or to defend its integrity against an enemy, will not wish the people of that nation to be patriotic. Love of country and love of liberty are inseparable aspects of the same basic human approach to civilized life. Mature love is an extension of self that must be freely given, and cannot be adequately developed in an atmosphere of repression. Those who would take away a man's freedom are well aware that they must first take away that man's belief in the integrity and worth of those in his cultural and social complex who protect him from oppression.

We would hope that our public educators will not continue to advocate overthrow of American liberty by suppressing patriotic and moral attitudes in the schools. The study of Shakespearean literature would more surely benefit students than the consideration of the doctrine of universal love. Shakespeare pondered the "to be or not to be" question, and decided that the struggle to save his country from ruin was more desirable than a quiet death. If educators were to approach patriotism as Shakespeare did, they would know that "to be," or, to live, means to be free, and to learn to love one's country freely.

[3] William Shakespeare, *Richard the Second*, II, i, 40-59.

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HOW WAGES ARE DETERMINED

The Effect of Interventions

PERCY L. GREAVES, JR.

MOST PEOPLE today seem to think that producers and sellers set prices. Likewise, they seem to think that employers set wage rates. They think businessmen get rich by setting low wages for their employees and high prices for their products.

This leads many to think that employers can be compelled by law or union pressure to raise workers' wages at the expense of the owners of a business. This has been done in an increasing number of cases for a short period of time, but such wage increases cannot be maintained in the long run. Actually, it is impossible to raise every worker's wages by law or union pressure. Every law or nonmarket pressure that raises wages for some, lowers them for others.

In analyzing every economic proposal, it is necessary to examine all of its effects, not only the short-run effects, but also the long-run effects, and not only the effects on those whom the advocates seek to benefit but also the effects on those who have to pay the costs. All of these inevitable effects should be weighed before passing judgment on any attempt to interfere with free market processes.

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Freedom Permits Responsible Choices

In a free market you are free to take any of many jobs open to you. Each man takes that one which, from his point of view, he considers best. When everyone is free to do this and no one is permitted to trample on the equal freedom of others to do so, when no one or no group can prevent others from taking jobs for which they and the potential employers

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reach mutually satisfactory agreements, then the Golden Rule will prevail. More workers will be producing more goods for others and everyone will have more for himself. The result will be ever-increasing production and human satisfaction. Of course, in a free market society, men will still make mistakes. But free market practices tend to reduce such mistakes by penalizing most those who make them.

We may also have a few unfortunate people who need assistance from their fellow men. For such few cases, the free market not only encourages religious and other private charities but it also provides the means with which these charitable organizations can take care of the unfortunate. So these unfortunate few do not have to become a burden on the government. We are free to act voluntarily as good Christians and take care of our neighbors who are in trouble.

In any society, in any group of men, there will also be some who will try to help themselves at the expense of others. There will be some who wish to steal, or misrepresent, or resort to force. To protect peaceful productive citizens against those who resort to such antisocial actions, governments are necessary, and very necessary.

Consumers Determine Wage Rates

There is today a popular idea that employers exploit the workers. This fallacy has been growing ever more popular since the days of Karl Marx. It was Marx's idea that employers overworked employees, paying them much less than the money values of what they produced, while keeping the difference for themselves. According to this theory, rich employers get richer and richer while the poor workers get poorer and poorer. The time would come, Marx held, when the workers would break the chains which bound them to their employers and set up a socialist utopia. According to this idea, the poor worker is helpless in a market society. He has no choice. He must take the wage that is offered to him. There is no other employer who might bid for his services.

Actually, of course, that is not so. In the absence of any social interference, workers tend to get the full value that consumers will pay for their contribution. It is the interferences by governments and the interferences by labor unions supported by public opinion, even without the strength of laws, that prevent all potential workers from getting those market values they could contribute to society.

If the idea that unions help all

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workers is popular, then we are powerless to stop them from hampering the market competition. However, in an unhampered free market economy, competition tends to allocate to every factor of production, including workers, all that each contributes. It is the values that the ultimate consumers place on each particular contribution to total production that determine what businessmen can pay for that particular contribution.

The same principles apply to the wages paid for labor that apply to the sums paid for raw materials or any other factor of production.

In a free market, each employer seeks to hire as many workers as he profitably can. He hires employees up to the point at which it is no longer profitable for him to hire an additional worker because he cannot sell the product of that additional worker for the wage he must pay him. As he hires more workers, the wage rate tends to rise and as more units are produced, the market price he can get per unit tends to fall. This is the inevitable tendency of a free and unhampered market.

The more workers you hire, the higher wage rate you will have to pay. And you must pay the higher wage to all who do similar work. As you produce and offer more goods on the market, you can only sell them at lower prices. Eventually you reach the marginal point, where you make no profit on the last man you hire. Wage rates are ultimately set by the marginal productivity of labor, that is the market value added to the product produced by the marginal employee, the last man hired. This is the way the free market would work, if there were no interferences. Unfortunately, the free market is something that we have never had completely at any time and may never have. However, the nearer we get to it, the better off we shall all be.

Given the conditions which the employer faces, he must pay workers pretty much the values that consumers place on their contributions. If the employer pays a higher wage, he suffers a loss. If he does not then reduce his wage rate, his number of employees, and his production to what he can sell at a price that covers his costs, he will eventually be forced out of business. No businessman can long pay costs which he cannot get back from consumers.

In the long run it is the consumers who pay the wages. The businessman is merely a middleman. He tries to make a profit as a middleman, buying raw materials, hiring workers, and selling the products to consumers. He makes his profit, if any, by holding what he pays for the factors of produc-

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tion below what consumers will pay for the final product. However, once a profit appears, competitors continually bid up what must be paid for each factor of production, including labor. There is always a tendency in a free market for profits to be squeezed and disappear. This includes any profits obtained by paying workers wages lower than the market value of their contributions.

Free Competition Protects Workers

It cannot be denied that employers would always like to pay lower than the market wages. In *The Wealth of Nations,* published in 1776, Adam Smith mentioned that whenever businessmen get together they try to set wages and hold them down. However, in the free market, they are unable to do so. It is just not possible for all employers to get together and agree to hold wage rates down for any length of time. Once one employer finds he can profit by breaking such an agreement he will probably do so. If none breaks the agreement and if you have a free market society wherein anybody can become an employer, new employers will soon appear, to take advantage of the situation by offering workers more.

If the employer pays a wage lower than the market wage, that is less than the product of the worker can bring in the market, his profits will be such that he can expand his production and his number of employees. If he fails to do so and fails to raise his wage rates in doing so, he will invite new competition. In either case, market competition will raise the wage rates to the value produced by the marginal employee. And there is always a marginal employee.

In most industries there are also marginal companies. These are the companies that are just breaking even. If their costs go up a little bit, they will suffer a loss. Then they will soon be out of business because money losers cannot stay in business indefinitely.

No businessman in a free market society can long pay a worker a dollar an hour and sell his product for five dollars an hour. Why not? Because you and I and thousands of others like us would be very happy to go into that business, pay those men two dollars and sell their product for five dollars if we could. Others would soon offer to pay them three dollars, four dollars, or even four-fifty. In fact, large corporations would be very happy to make profits of just two cents an hour for every worker they employ. They are just not able to pay them much less than the market value of their product. The last one

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employed would not yield them any profit, particularly in a free society where anyone who thinks he sees a chance to make a profit can come in and bid away any employee who is paid less than the market value of his contribution.

The frequent refutation is, "Yes, but most people do not have the capital to start a business." Let's remember there are many savers eager to invest their money where they can earn more. If they can be shown a situation where they can earn more, they will be happy to make the needed capital available. All you need to do is to show them where a profit higher than current interest rates can be made.

Whenever there is a profit in a free market society, it attracts competition, and competition always reduces prices. This is how the market constantly allocates consumers a share of every increase or improvement in production.

Savings Raise Wages

The real secret of higher wages is increased savings per capita. Increased savings are a result of producing more than is consumed. If more goods and services are produced than consumed, then these unconsumed goods and services are available for making tools, factories, and other things needed to help increase production. American living standards have gone up over the years because generation after generation our parents have provided their children with a better start in life than their parents had. The history of our country has largely been that the first generation of immigrants provided their children with an elementary school education, the next generation saved enough to provide their children with a high school education, and the third generation sent their children through college. Now, many are going on to graduate work. In this way, each generation provided the next generation with a higher standard of living. In each case, this higher education was the result of increased savings. The earlier generations just could not afford to provide their children with what most American children now have.

When there are savings in a capitalistic system, people do not put them under a mattress. They do not dig a hole and hide them as people do in India or China where savers are afraid that if they put up a factory, the property would be seized. No, in a capitalistic society people invest their savings where they hope they will earn a return. In a capitalistic society, savings are not accumulated by the rich only. One of the great

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advantages of a capitalistic society is that low-income people can also invest their savings and earn a return on them. They can buy savings bonds. They can put their money in the savings banks. They can buy life insurance. Then, the banks and the life insurance companies make their savings available to businessmen and large corporations.

As a matter of fact, it is the low-income people who are the great creditors of our day. They are the ones who are hurt the most by low interest rates. It is largely the higher-income people who are debtors and who benefit from low interest rates. They are stockholders and their corporations borrow the money saved by low-income people. One of the great advantages of the free market system is that it provides a way for low-income people to participate in the earnings that savings provide.

Effect of New Savings

Savings are, of course, the only real source of old age security and higher living standards. When new savings are invested, the very first thing they do, whether they are invested in a new company or in an expansion of an old company, is to bid up wages and the prices of raw materials. They bid up everything that is needed to expand production, including labor, and you cannot make anything without labor.

Labor is one of the scarcest things in this world. There are many mines that are not mined because the available supplies of labor are worth more in other occupations. The same is true of farm lands. The same is true of every occupation. Every economic endeavor is limited by the high costs of labor. Labor is always scarce. The market allocates the scarce supplies of labor to the production of those goods and services for which consumers are expected to pay the highest prices. Other goods and services are not available because of this very shortage of labor.

With new savings, there are employers or "entrepreneurs" who are constantly trying to employ more workers. They have to bid up wage rates for the limited quantities of labor available in the market place. The factor which helps labor most is the increased savings which permit employers to bid them away from their previously lower-paying jobs. After these savings are turned into new or larger factories, they must produce goods and services previously not available.

The managers of these new expansions must determine what to produce. They try to find out what

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is not available that is next in importance on the value scales of consumers. They then expand the production of those things not sufficiently available that they think customers want most. They bring more production to the market. Each worker, working with more or better tools, produces more. If there has been no increase in the money supply, as more goods reach the market, the result must be lower prices. With lower prices for consumers' goods, everyone can buy more with his limited money supply. The only way that a society can raise the real wages of all its workers is to increase the amount of savings available per worker.

For example, American steel companies need an investment of some $20,000 per worker, for workers to get the high wages they are paid. In a market economy these high wages are shared by all. The barber, who has not changed his methods very much in the last century or two, competes in the labor market with steel workers, each of whom uses about $20,000 of equipment. Wage rates of all workers are thus set by the average savings available to help workers increase their production. These higher wages and lower prices must appear before the savers can get any of their money back, much less any interest or profit on their speculative investment.

Profits may come, but they can only come later if buyers, of their own free will, decide that the new market offerings are better bargains than all other available goods and services. This is the secret of progressively higher living standards in a free market society. The secret of higher wages is more savings per available worker. A man with a modern expensive earth-moving machine can move far more earth than the strongest man using his hands or even a shovel. As more and better tools become available and as more goods are produced, there will be a higher standard of living for everyone who participates in the market economy.

Effect of Present Union Policies

Consider now the effect of present-day union policies upon our economy. The essence of labor union policies today is (1) to restrict production and (2) to prevent the unemployed, or those employed at lower wages, from improving their economic situation by underbidding union-imposed wage rates. We cannot improve the general welfare by following union policies that restrict production by making high wages higher for some workers, with the result that low wages are kept low

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or nonexistent for other workers.

Whenever union workers get a raise above free market wage rates, this increase raises production costs, and as a result prices must be raised to consumers. With higher prices, fewer goods are sold. When fewer goods are sold, some of the workers are laid off and the laid-off workers must then compete for the lower-paying jobs. Their competition in these next lower-paying jobs drives some previously employed workers out of jobs. This forces their wage opportunities still lower. Such policies restrict production and keep men from working where they can produce the goods most wanted by society.

Much of this is, of course, due to the popular fallacy that only an equal exchange is a fair exchange and that if one person, the employer, for example, gains, he must have done so at the expense of the worker. This is responsible for so much of the antagonism against the capitalist, against the investor, against the saver—the belief that his gain is unearned and that the capitalist or saver is getting something at the expense of the worker. This is Karl Marx's exploitation theory. It is the theory of class warfare as opposed to the market theory of voluntary social cooperation.

Marx put great stress on this. He believed that under the natural law of wages, employers worked the workers too long. Workers produced enough to support and reproduce themselves in, let us say, ten hours. Employers worked them eleven or twelve hours. According to this idea, what workers produced in the extra hour or two was taken and kept by the capitalists. So one of the chief policies of labor unions has been to demand shorter hours for the same pay. If you shorten hours for the same pay, you have less production. Less production does not provide a higher standard of living. If widely practiced, it must mean higher prices and a lower standard of living. Of course, when this happens as a result of free market processes, it means that market participants prefer to take some of their potential increased production in the form of more leisure.

Another fallacy in this area is the argument that money wages must be raised in order to provide workers with the purchasing power to buy their production. Actually, higher living standards require more production, not more money. Workers can only buy what is produced. If production is reduced because fewer workers are hired, increasing money wages does not provide any more goods. This is an old fallacy. There is no

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way to increase the purchasing power of one worker by increasing his wages without at the same time decreasing the purchasing power of other workers.

The employer has no power to set wages. He cannot in the long run pay more than the consumer will repay him. Nor can he long pay less than the market value of labor's contribution. This Marxian idea simply does not stand up. Yet, today many people honestly and sincerely subscribe to this idea that employers have too much power. Their failure to understand free market economics permits them to believe that in a modern industrial society employers have great power while the poor workers are helpless. Actually, in a free market society it is ultimately the consumers who set prices and thus the wages that employers can and must pay.

How Labor Unions Affect Wages

Questioning the virtues of organized labor today is like questioning or attacking religion, monogamy, motherhood, or the home. In public opinion, the test of whether one is for or against labor or the workers or the poor in general is your attitude toward labor unions. One simply cannot argue that certain union policies hurt labor and expect to be taken seriously. The fact is, of course, that union policies *have* hurt workers in general and particularly those at the lower end of the income scale.

The essence of present-day union wage policies is to reduce production and to keep the unemployed from finding work and the low-paid from competing for higher-paying jobs. Such policies are not going to raise the nation's standard of living. We can never improve the general welfare by policies which reduce production. Unions make high wages higher for some, but they make costs higher for other people and thus reduce the goods and services that consumers, including workers, can buy in the market place.

The unemployed, those at the bottom of the economic ladder, have no voice in union affairs or in setting wage rates. They are completely shut out. Union officers care very little about nonmembers or beginners trying to get started. There are cases in New York where a man cannot get into a union unless his father was in it before him. Since, under the law, only union members can work in certain trades, this has hurt Negroes trying to enter trades white unions have monopolized. If one's father had to be in the union, how can a Negro ever get into that union? This has applied to other low-income minorities in times

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past. The unions do not help the relatively poor. They help the aristocrats of labor at the expense of low-income workers. They get privileges for their members at the expense of other workers or would-be workers and they raise prices for all consumers.

Combinations of workers can only raise wages if they can raise the value or the quantity of the product that they produce. Now, of course, if the quantity produced is smaller, other things remaining the same, the value per unit is greater. However, the available quantity will satisfy fewer consumers and thus provide less human satisfaction. So, if the unions do not increase production, the only way they can raise the relative value of a unit of labor is to reduce the units of labor employed and the quantity of goods produced in that industry. Without the power to keep out other workers, unions can do little to raise the market value of what their members produce. This does not help either the workers excluded or consumers in general.

We live in an age of mass production for mass consumption. If we do not have mass production, we cannot have mass consumption. So by reducing the amount of production, unions are not helping workers in general. By setting wages at higher than free market wage rates, unions reduce the amount that can be sold. They throw people out of the jobs where they could be most productive. What the unions gain for their own members results in a loss to those who are excluded from cooperating in the task, and it results in a loss to all consumers as they will have to pay higher prices per unit for a smaller quantity of goods and services. Every consumer who does not share the union's gains will have to go without something he could have bought if the union gain had not raised prices.

The control of wage rates is also the control of entry into a trade or industry. Such control also determines rates at which a company or industry expands or contracts. In a free society, if the wages in an industry were lower than those forced by unions, that industry would expand. When unions raise the wages of an industry, that industry either has to contract, or, if it stays the same size, it is prevented from expanding as it would if it could pay free market wages.

Expanding means paying higher wages to attract the more workers needed. It also means producing more goods that consumers want most and lowering prices so the same wages will buy more. Of course, there is also a tendency

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toward the elimination of profits. Unions can protect their members from the competition of other workers merely by raising union wage rates, because then the employer cannot afford to employ any more. This is one of the inevitable results of the union seniority principle. Those with high seniority are not worried about those who lose jobs because of higher union wages.

Effect of Union Policies on Savings

One of the most important factors in the labor situation is the effect of union policies on employers, savers, and investors. Many think that wages can be raised at the expense of the employer or the investing owners, and thus higher wages need not hurt the consumer. They think you can just reduce profits a little bit more and that will take care of the higher wage costs. As we have tried to make clear, the way to raise the wages of workers is to increase the savings invested in tools that workers can use to increase their production.

The accompanying table may help to give us a better understanding of some of the problems faced by workers and by those who try to make a living by employing people. Assume a steamship which cost $2 million to build and which is expected to last 20 years. The yearly depreciation and interest charge would then be $150,000. The owners assume an expected market revenue of $14,100 per week. It is expected to operate 50 weeks of the year. The people who are investing this $2 million considered it carefully in advance. If their forecast is correct, they expect their weekly costs will be:

Depreciation and interest	$3,000
Labor wages	8,000
Other operating costs	2,100

and they hope for profits of $1,000 over and above the interest which they could get by lending the money out. The total of the items mentioned comes to $14,100.

Of course, if they foresee future developments incorrectly, they will suffer a loss. But if they have foreseen future operations correctly, if they have calculated their labor and other costs correctly, and if they have estimated correctly what the public will pay for the service, then and then only will they earn the estimated profits. Then only will they earn the estimated profit and be able to replace the ship and continue to employ the workers after 20 years.

In order to make this problem easy to understand, we shall assume that this ship is on a lake and cannot be moved to be used any place else. So once this investment is made, those who have

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Steamship Costs $2 Million and Lasts 20 Years
Yearly Depreciation and Interest Charge—$150,000
Market Revenue $14,100 per Week (50 weeks)

Weekly Cost	Free Market Wage Rates	Union Forces Wages Up 10%	25%	50%
Labor Wages	$8,000	$ 8,800	$10,000	$12,000
Other Operating Costs	2,100	2,100	2,100	2,100
Depreciation and Interest	3,000	3,000	2,000*	none*
Profit	1,000	200	none	none
Totals	$14,100	$14,100	$14,100	$14,100

*Amount available toward $3,000 expense.

turned their savings into a steamship cannot withdraw them. If a labor union has the power, either through public opinion or through the laws of the land, to raise wages above those prevailing in the market at the time, the investors will then be at the mercy of the unions.

Now, we shall assume in the second column of figures that the union is able to threaten a strike or otherwise use its power to raise wages 10 per cent. This increases the cost of labor to $8,800 and reduces the profit, beyond the charge for interest, to $200. Under such a situation, the owners will continue operating. They will still get a small profit, smaller than they had calculated, yet more than they would have gotten if they had lent their money out at market rates of interest. They are still — you might say — ahead of the game.

The union members, having found it easy to use their power to get this 10 per cent increase, are still not satisfied. They try it again. Let us assume that this time they increase wages to 25 per cent above free market wages. You see the results in the next column — a situation in which the workers are then getting a weekly total of $10,000 in wages. There are no longer any profits after interest. In fact, the employers are not covering their depreciation and interest. They are only getting two-thirds of this expense, or $2,000. Under such circumstances, they will still operate the steamship. If they stopped operating, they would get nothing for depreciation and interest. $2,000 is better than nothing. Everyone prefers a little something to nothing. We even prefer a small loss to a larger loss. At this rate, when

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the ship is worn out, the owners will not be able to replace it. They will not have depreciated enough. So, of course, when the ship is worn out, this business will be ended and the men will lose their jobs.

But assume the union workers do not see this. Suppose they go on and ask for a further increase. This time we assume they seek a total increase of 50 per cent. Then you find the situation in the last column where you have arrived at the margin. The owners receive nothing for their capital, no allowance at all for depreciation or interest on their capital. The operating income would just cover the wages of the workers and other operating costs. Then, it no longer pays the investors to operate their steamship. They have reached the point where they would be operating the ship for nothing. This they do not care to do. So the operation comes to an end and the men lose their jobs. They have killed a good thing.

Savers Can Be Scared Away

All this is not very far from reality. For many years, from 1837 to 1947, we had in the United States the old Fall River Line. It was a steamship line that provided overnight boat service between the beautiful harbor of New York and Fall River, Massachusetts, a short train ride from Boston. It was a trip that many people enjoyed and a cheap way to ship freight. The unions kept raising the wages of their members until the steamship line was forced out of business.

There are lessons to be learned from this illustration. Businessmen can get caught. Investors can get caught. Savers can get caught. Once they put their money into particular forms of capital they are caught. When unions can raise wages to the point that business income covers only part of the depreciation and interest expenses, the investors will still operate their business, because any income is better than writing off the investment as a complete loss. But what is the effect of this on potential investors? Would you, if you had any savings and saw this happening, try to go into competition or start a similar service elsewhere?

This is the problem that workers face. Yes, unions can temporarily raise some workers' incomes. But they also reduce the competition for workers and in the long run they reduce the number of high-paying jobs available. In real life, tools, machines, and other capital goods wear out or become obsolete one by one. They do not all go to pieces at one time. A typewriter wears out and it is

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replaced. Some small machinery wears out from time to time, but whole factories seldom wear out all at once. Unions can push wages up so long as it still pays to replace the worn-out parts and continue operations. This permits businesses already established to stay in operation, but it greatly discourages the starting of new businesses.

These union policies thus tend to stifle the very thing that encourages competition for workers and raises wages. If we are to have higher real wages, higher real income, that is, more goods and services, we must have more savings and more businesses competing for the workers. This union policy, of forcing wage rates above those that would prevail in a free competitive market, reduces the savings and the number of employers who compete for workers. Under such policies, people with savings will tend to put them under the mattress or send them out of the country.

There are many people in many parts of the world who are sending their savings outside of their country, just because of such conditions. They no longer feel that it is safe to invest savings in their own country. Other people stop saving. Why save, if your savings are going to be confiscated? Why not spend, live high, and have a good time while you are here? Still others will put their savings in government bonds in the belief that they will be safer there than invested in private enterprises. But the money will then be spent to buy votes and the interest on the government's debt will become an added burden on the taxpayers and on the workers too. So we see that if union wages are forced up above free market wage rates, they end by killing the goose that lays the golden eggs of higher wages for all, that is, the increased invested savings that provide higher and higher standards of living for all.

Only Savings Can Reduce Economic Hardships

The reason why we have so much starvation in so many countries, in India for instance, is because private property is not protected. Investments are not protected. After India became independent of England, Nehru said that India needed and wanted foreign capital. It is true, he admitted, that India was going to be socialist but he added, if you will put your capital in India, we will promise not to confiscate it "for at least ten years." How much money would you or any sane person invest in India under such conditions?

If workers want to raise their

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wages, they must adopt policies which will encourage savings. We have had this problem in the Western world for a good many years now, for most of this century. However, as union wages have gone up in the more productive industries, which unions can most easily organize, and in what we call bottleneck industries, like transportation, the unions can shut down other industries. They raise the wages of some, but raising wages raises the prices, and with higher prices fewer articles are sold, which means fewer men are employed in the organized industries. The workers kept from jobs in these industries must then compete in some other lower-paying industry. This drives those wages down unless those workers too are organized into politically privileged unions. Then more workers are thrown into competition with still lower-paid workers, until some of them are, by these very "pro labor" policies, forced to work for wages on which they cannot keep body and soul together. Then we feel sorry for them.

The popular remedy today for such very low wages is a minimum wage law. The minimum wage law says that you cannot employ a man unless you pay him a specified minimum wage. In the United States, this is now $1.60 an hour. We still do not have a dictatorship. Until we do, employers will only employ people if they can hope to get the $1.60 back from consumers. If the consumer says a man's contribution is only worth $1.50, the employer is not going to pay him $1.60.

The employer is only an agent of the consumer. So the man becomes legally unemployable. It is now illegal for anyone to hire him. He cannot legally earn what he could in a free market, which is to say, the highest amount any consumer will pay for his contribution. So unemployment insurance was invented to take care of these people. When unemployment insurance payments expire, the popular remedy is relief or welfare payments, which become a burden on taxpayers who are, of course, in the long run, the workers. The only possible outcome of such policies is higher prices, higher taxes, less production, and more poverty.

Good Names for Laws Not Enough

People with the best of intentions and the least economic understanding constantly try to help the people on the bottom of the economic ladder by governmental intervention. We have had the National Recovery Act, which was supposed to help both business and labor by letting them organ-

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ize with government help to set high prices and high wages. We had the Agriculture Adjustment Act. We had the Securities and Exchange Act. We had many such acts with nice sounding names and preambles expressing the best intentions.

The real question always is: Are such laws a sound means for obtaining the desired or specified ends?

The National Recovery Act did not produce national recovery. The Agriculture Adjustment Act did not adjust agriculture to consumers' wishes. We have had surplus after surplus. We have given billions of taxpayers' dollars to the farmers and after thirty-five years still do. The so-called farm problem is still with us. Only one such law has lived up to its name. The Unemployment Insurance Act has guaranteed that we will have unemployment.

These interventions did not increase production. In a free market society everybody can get a job at the highest wage the consumers will pay for his contribution. He cannot long get any higher wage; and nothing that government can do will change this situation or improve it. But many workers and voters believe unions can raise the wages of all workers.

Governments, of course, have to do what is popular; they cannot do what is unpopular. Today it is popular to think that no worker's wages should ever be allowed to fluctuate downwards. Wage rates, it is thought, should only move upward. So our laws and labor unions attempt to prevent any reductions in money wages.

The market system permits consumers to change their wishes and wants. When these shift, employers have to change the things they produce to satisfy the customers. The way this happens in a free market is that the prices of things no longer wanted in such large quantities go down, while the prices of things for which demand has increased go up. Businessmen switch from producing losing lines of goods to producing goods on which they hope to make a profit. They stop producing goods that can only be sold at a loss. When the demand changes, they make fewer candles, for instance, and switch to producing electric bulbs and lamps. And so it is that workers must switch to different industries.

Nowadays, we no longer permit any wages to fall. So if employers can no longer pay the union-demanded wages, they must cease operations altogether and fire everybody, including those who might be satisfied with slightly lower wages until they can find better-paying jobs.

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Employers and Employees Not Enemies

In real life, workers and investors in the same company are not competitors. Production and marketing are not class warfare. Savers, employers, and employees of the same company are team workers. A demand for a Ford automobile is a demand for a Ford factory and for Ford workers. All those needed to produce the factory and the autos are a team. Anything which helps an automobile company helps all those who are on the team, either as investors or workers. The ultimate demand of consumers is for a team combination and it is this free combination that is going to help all of us have more of the things we want most.

The demand for workers at higher wages should come from those putting increased investments to work. New investments always seek new workers. Then all other employers have to pay the new higher wages, because no employer can keep workers if a competitor is offering higher wages. Present union policies cannot raise the wages of all workers. They lead only to higher prices and lower production.

If we are going to stop the ever upward wage-price spiral before there is a complete collapse in the value of the monetary unit, we must create a climate that will lead to the repeal of all laws which permit unions to exclude qualified workers from competing for jobs in union-organized industries. We must stop subsidizing unemployment and permit wages to be set by free market competition in the service of consumers.

The Keynesian Solution

This is not the policy in most countries of the world. Under present policies, workers are getting higher money wages which are lower real wages because the value of the monetary unit is constantly being diluted. We are going into progressive inflation. Savers are being liquidated. Their property is being confiscated. New savers are scared away.

Politicians are constantly afraid, and rightly so, of doing things which are unpopular. They endorse popular spending measures, but they shun the resulting costs; and to stay popular they have resorted to inflation. This is the so-called Keynesian policy. It is set forth in John Maynard Keynes' book, *The General Theory of Employment, Interest and Money*. The key sentence is: "A movement by employers to revise money wage bargains downwards will be more strongly resisted than a gradual and automatic lowering of real wages as a result of rising prices."

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This was the policy endorsed by Keynes. It is the policy of most governments in the Western world today. Keynes knew, as every economist does, that the only way that you can employ more people is to lower the wage rate. But ever since World War I this had become politically difficult in Great Britain. Powerful British labor unions, with the help of the Fabian Socialists, had built up public pressures which opposed any lowering of any money wages. British politicians of all parties were afraid to resist this popular union policy. So in 1931, when the number of unemployed became unbearable, the politicians in office preferred to lower wages by devaluing the British pound. The workers kept their puffed-up pound wages but their pounds bought less.

In 1936, Keynes gave this political policy academic sanction in the book and sentence just quoted. Since then, most Western nations have adopted this "Full Employment" policy. In essence, when unemployment is considered too high, wages are lowered by lowering the value of the monetary unit. This is done by increasing the quantity of the monetary units. We have gotten into a situation of ever-rising wages and prices with more and more workers paid less than they would earn in a free market.

Neither union leaders nor union workers are stupid people. Keynes and the British politicians were able to fool the employees in England when they first tried this scheme in 1931. They changed all the index numbers, making it difficult to document the price rises reflecting the lower purchasing power of the pound. But now every union has a statistician, who can see from the official cost of living indices that prices are going up. And when they go up, the unions demand still higher wages. This system of Keynes' has just about reached the end of the road. You can no longer fool the workers by lowering the value of the monetary unit. They are now wise to what is happening and they are not going to take it much longer.

The only final answer to this problem is more economic education showing that the only way to keep raising wages permanently is to increase production and the way to do this is to encourage savings. For it is only increased savings that can provide workers with more and better education and more and better tools with which they can produce and buy more and better products that they want most.

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Photo by Chris Honeyman

Ludwig von Mises

DEAN OF RATIONAL ECONOMICS

HANS F. SENNHOLZ

WHEN, in future centuries, historians search for the reasons for the phenomenal decline of Western civilization, few contemporary sources will be of any use. True, they offer colorful descriptions of the symptoms of this decline, but their explanations are usually infested with the very bacillus that is destroying our magnificent order. Future historians will be bewildered about our blindness and madness, our moral lethargy and decay.

"But were there no 20th Century philosophers" they will ask, "who recognized the ominous trend toward economic destruction, social disintegration, and political tyranny? Was there no prophet of the impending doom?"

We hope for their sake that they will discover the works of Ludwig von Mises who, since the beginning of this century, has been warning his contemporaries. Again and again he forewarned them about the growing popularity of ideologies of conflict and war, the rise of collectivism, and the sway of tyranny in the Western world. In fact, his writings, which will be so invaluable to future historians, are last-minute warnings to us, the living generation.

This is why the Foundation for Economic Education in Irvington-on-Hudson, New York, in conjunction with Arlington House in New Rochelle, N.Y., and Jonathan Cape Publishers in London, have again prepared new editions of some important Mises works.

Socialism, An Economic and Sociological Analysis (Jonathan Cape, 30 Bedford Square, London)

Dr. Sennholz, a former student of Ludwig von Mises, is chairman of the Economics Department at Grove City College, Pennsylvania. The author of *How Can Europe Survive?*, Dr. Sennholz has also written some 250 magazine articles. This article is reprinted from the April 11, 1970, issue of *Human Events*.

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was first published in 1922. Friedrich Hayek, one of Dr. Mises' most eminent students and disciples, recalls how *Socialism* overwhelmed him as a young student, awakened him in the midst of the socialistic fashion of the day. Henry Hazlitt in his review, which appeared in the New York *Times* of Jan. 9, 1938, wrote:

"This is by far the ablest and most damaging answer to the Socialist philosophy since Böhm-Bawerk, another Austrian economist, also from the University of Vienna, published his memorable *Karl Marx and the Close of His System* in 1898.

"It is more than that. Böhm-Bawerk confined himself mainly to an examination of Marx's technical economics. Mises, apparently on the assumption that Böhm-Bawerk disposed so thoroughly of Marx's strictly economic analysis of capitalism that the work does not have to be done again, does not go over this ground, except by incidental reference. But he recognizes that socialism does not stand or fall with Marx's economic analysis; and therefore he devotes himself to the much wider task of examining all the arguments against capitalism or in favor of socialism from whatever source."

Mises' *Socialism* was revolutionary in its critique of the socialist order. For the first time in the history of Marxism a scholar revealed its fundamental economic deficiency: its incapability of solving the problem of economic calculation.

Without the common denominator for economic calculation, which is the market price, a socialist society cannot rationally allocate its labor, capital, land, and other resources, and fairly distribute the yields of production. It would be unable to determine whether its production yields a social profit or social loss. It could not determine the contribution made and the reward earned by each worker.

In short, it could not rationally and economically compare the multiplicity of costs with the returns of production.

Professor von Mises is not optimistic about our future. "Capitalism," he writes, "has raised the standard of life among the masses to a level which our ancestors could not have imagined. Interventionism and efforts to introduce socialism have been working now for some decades to shatter the foundations of the world economic system. We stand on the brink of a precipice which threatens to engulf our civilization. Opposition in principle to socialism there is none. . . ."

Mises' *Omnipotent Government, The Rise of the Total State and*

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Total War (Arlington House, New Rochelle, N. Y.), was first published in 1944 when 57 nations were locked in a total war that slew more than 15 million fighting men and countless women and children. It offers an ideological explanation of the international conflicts that caused both World Wars and continue to breed wars the world over.

Professor Mises illustrates his case with a review of the fall of Germany, from the collapse of classical liberalism to the rise of nationalism and socialism. But Germany merely constitutes an early example of the things to come – all of Western civilization is at stake.

Durable peace, Mises concludes, is only possible under perfect capitalism and laissez-faire government, a world of unhampered markets, free mobility of capital and labor, and equal treatment of everyone under one law. Government interference with business necessarily aims at autarky. But protectionism and autarky mean discrimination against foreign labor and capital and thus create international conflict.

The very ideas that breed bitter domestic conflict between classes and races also generate international conflict and war. "Progressives" at home and abroad aim at equality of income. But their own policies result in a perpetuation of the inequalities between classes and nations.

In Professor Mises' own words: "The same considerations which push the masses within a country toward a policy of income equality drive the peoples of the comparatively overpopulated countries into an aggressive policy toward the comparatively underpopulated countries. They are not prepared to bear their relative poverty for all time to come simply because their ancestors were not keen enough to appropriate areas better endowed by nature.

"What the 'progressives' assert with regard to domestic affairs – that traditional ideas of liberty are only a fraud as far as the poor are concerned, and that true liberty means equality of income – the spokesmen of the 'have not' nations declare with regard to international relations."

At home and abroad they style themselves revolutionaries fighting for equal shares and proclaiming the right to take them by force if necessary. This is why our age is marked by perpetual conflict.

According to Professor Mises, "Government control of business engenders conflicts for which no peaceful solution can be found. It was easy to prevent unarmed men and commodities from crossing the borders; it is much more diffi-

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cult to prevent armies from trying it. The socialists and other etatists were able to disregard or to silence the warning voices of the economists. They could not disregard or silence the roar of cannon and the detonation of bombs.

"All the oratory of the advocates of government omnipotence cannot annul the fact that there is but one system that makes for durable peace: a free market economy. Government control leads to economic nationalism and thus results in conflict."

The essay, *Bureaucracy* (Arlington House, New Rochelle, N. Y.), was written and first published in 1944. Its main objective is an investigation of the contrast between bureaucratic management and business management. As such it is an invaluable contribution to the great historical debate between individualism and collectivism.

Professor Mises does not condemn or blame bureaucracy. He merely explains its meaning and discusses its proper spheres of application. In fact, in certain fields it may be the only possible method for the conduct of affairs. A police department, for instance, or the Marine Corps cannot be operated by profit management, as it cannot sell its services on the market. No matter how valuable and indispensable its achievements may be, they have no price on the market and therefore cannot be calculated in a profit-and-loss statement.

But whenever government endeavors to apply bureaucratic management to private business, the consequences are often disappointing. Social and political objectives usually supersede rational calculation of cost and yield, which fosters economic inefficiency and bureaucratic complacency. When economic production is completely bureaucratized, the individual is lost in a maze of regimentation and regulation. Youth especially is condemned to a listless life of subordination and obedience.

In the words of Mises: "Government jobs offer no opportunity for the display of personal talents and gifts. Regimentation spells the doom of initiative. The young man has no illusions about his future. He knows what is in store for him. He will get a job with one of the innumerable bureaus, he will be but a cog in a huge machine, the working of which is more or less mechanical. The routine of a bureaucratic technique will cripple his mind and tie his hands. He will never be free to make decisions and to shape his own fate. He will never be a real man relying on his own strength. He shudders at the sight of the huge office buildings in which he will bury himself."

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In 1957 Professor Mises added *Theory and History: An Interpretation of Social and Economic Evolution* (now Arlington House, New Rochelle, N. Y.) to his impressive list of scholarly publications. It is Mises' philosophical treatise that sums up his views on what man can know in his world. As man has always gone amiss in his attempts to bridge the gulf between mind and matter, he must adopt a dualistic approach – or methodological dualism.

According to Mises, this dualism "merely takes into account the fact that we do not know how external events – physical, chemical, and physiological – affect human thoughts, ideas, and judgments of value. This ignorance splits the realm of knowledge into two separate fields, the realm of external events, commonly called nature, and the realm of human thought and action."

Ever conscious of this dualism and aware of the limitations of human knowledge, Professor Mises defends the sciences of human action against those philosophies and doctrines that would deny their very existence. In particular, he refutes the positivistic and panphysicalistic distortions of determinism, the doctrines of materialism, positivism and behaviorism, historicism and relativism.

Present-day ideologies, according to Professor Mises, are characterized by their summary rejection of individual freedom and private property in economic production. "Millions today enthusiastically support policies that aim at the substitution of planning by an authority for autonomous planning by each individual. They are longing for slavery.

"Of course, the champions of totalitarianism protest that what they want to abolish is 'only economic freedom' and that all 'other freedoms' will remain untouched. But freedom is indivisible. The distinction between an economic sphere of human life and activity and a noneconomic sphere is the worst of their fallacies.

"If an omnipotent authority has the power to assign to every individual the tasks he has to perform, nothing that can be called freedom and autonomy is left to him. He has only the choice between strict obedience and death by starvation."

Even the most cursory review of Professor Mises' great writings would be incomplete without mention of his magnum opus, *Human Action, A Treatise on Economics* (Henry Regnery Co., Chicago). When it first appeared, his friend Henry Hazlitt wrote in *Newsweek* magazine (Sept. 19, 1949):

"I know of no other work, in

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fact, which conveys to the reader so clear an insight into the intimate interconnectedness of all economic phenomena. It makes us recognize why it is impossible to study or understand 'collective bargaining' or 'labor problems' in isolation; or to understand wages apart from prices or from interest rates or from profits and losses, or to understand any of these apart from all the rest, or the price of any one thing apart from the prices of other things. . . .

"*Human Action* is, in short, at once the most uncompromising and the most rigorously reasoned statement of the case for capitalism that has yet appeared. . . ."

Professor Mises' most recent essay, *The Historical Setting of the Austrian School of Economics* (Arlington House, 1969), finally, offers a brief review of the historical setting from which sprang not only rational economics but also statism and socialism that are sapping the foundations of Western civilization and well-being. This booklet and all other Mises books are required reading for everyone who cares about the future of man.

Available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533. (⅓ off on prepaid orders for 3 copies or more.)

	Paper	*Cloth*
The Anti-Capitalistic Mentality	$1.95	$3.75
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MARX AND THE INTELLECTUALS

IN THE THIRTIES we had plenty of young radicals around who professed to be Marxists. To give them their due, they had actually read the works of their mentors, from Papa Marx and his collaborator Engels, on down through Karl Kautsky, Eduard Bernstein, Rosa Luxemburg, Nicolai Lenin, Leon Trotsky, and the rest. They knew about "revisionism," they could argue about the relevance of Trotsky's "law of uneven and combined development." True enough, they were ignoramuses when it came to the subject of economics; they believed the discredited hokum about the inevitable impoverishment of the working classes under capitalism, they spouted nonstatistical nonsense about the "falling rate of profit" as constituting the "law of motion of the capitalist system," and they accepted the notion of "surplus value" which has no scientific justification whatsoever. But despite their failings, the radicals of the thirties had done their homework when it came to mastering their own literature. It was a pleasure to argue with them, for they knew how to listen and they did not expect immediate capitulation to their point of view.

The contemporary breed of young Marxists, however, is quite a different animal. Despite their complaints about the "generation gap" and the "lack of communication," the modern Marxists insist that their slogans must be accepted without argument (to the accompaniment of witless cries of "right on, right on"). The idea of debate, of a comparison of alternatives, is frowned upon. In the thirties the socialist Norman Thomas and the Communist Earl Browder would submit to questions; today the very idea of conducting a rational discussion with the likes of Jerry

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Rubin or Abbie Hoffman or Mark Rudd is laughable.

What has happened in the last generation to debase the intellectual climate? How is it that our reviving "neo-Marxism" has succumbed to such irrationality and amorality? Lewis Feuer, who was himself a Marxist of sorts when he was a young professor, thinks the source of our contemporary confusion can be cleared up if only we can come to grips with the career of the concept of "alienation."

The Concept of "Alienation"

In his thought-provoking *Marx and the Intellectuals: a Set of Post-Ideological Essays* (Doubleday and Co., Anchor Books, $1.45), Professor Feuer traces the shambles on our campuses to leftist intellectual failure to make a study of Marxism as a whole. The young have become "hung up," to adapt their own phrase, on a specific phase in the life of Karl Marx which Marx himself came to reject as he grew older. By limiting their reading of radical literature to the juvenalia of Karl Marx, the "neo-Marxists" have taken "alienation" as a "slogan-word" out of its context in the totality of a life. The "slogan-word" has become a "generation fetish," and the fetish has resulted in a "largely directionless rejection of American society." Professing themselves to be Marxists, the young have actually become disciples of the anarchist Bakunin, whom Karl Marx held in special abomination.

"Alienation" and the Human Condition

As a dedicated student of the entire library of Marxist thought, Professor Feuer is quite aware that Marx and Engels had to discard the concept of "alienation" from their thinking simply because it led nowhere in terms of what they were after. "Alienation" is a psychoanalytic concept which raises more questions about human nature than can be answered by references to the class struggle. It leads one out of "historical materialism" into the subjective world of Sigmund Freud.

As Professor Feuer points out, there are several modes of "alienation" that are quite independent of each other. A worker on an assembly line can be just as "alienated" in a socialist factory in eastern Europe as he might be in a General Motors plant in Flint, Michigan. One can feel "alienated" because of race, or because of mother or father rejection, or because of caste restrictions in a pre-capitalist, pre-industrial part of the world. Professor Feuer found "alienation" in the Israeli kibbutz societies, where certain individuals reacted to the "inter-

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minable vacuity" of "communality." These individuals would "flee to their tents" to escape from a "closed circle, a squirrel cage from which there is no release."

In short, "alienation" is part of the human condition anywhere. It is something the individual must come to grips with in relation to his own psychological problems. To project one's personal troubles on "society" or on the "system" when they may very possibly derive from one's family circumstances or from individual character shortcomings is unintelligent. So Professor Feuer reaches an inevitable conclusion: our "intellectuals," so-called, give evidence of having defective brains when they permit themselves to be "hung up" on "alienation" as something worth talking about.

"The socialist movement," says Professor Feuer, "proposed to eliminate economic exploitation and to abolish the class system. These were relatively definable goals. A movement cannot, however, very well propose to alienate the alienators as it did to expropriate the expropriators, for the alienated mood is so multiform in its expression, so unlocated in any specific social form, that it does not delineate the clear goals and foci for action that a political movement requires."

The New Barbarism

The modern Marxist may still make pietistic references to the idea of "scientific socialism," but actually he has reverted to something that Professor Feuer calls "neoprimitivism." The new Marxism is "Marxist in form but Bakuninist in content." Instead of holding any real belief in what nineteenth century Marxists called the "three arms of the labor movement – the union, the cooperative, and the party," the modern Marxist thinks that a "labor metaphysic" is an "unrealistic legacy from Victorian Marxism" (the quote is from C. Wright Mills). The new Marxists believe in the primacy of the individual will; they are "neobarbarian, anti-intellectual, anti-urban, anti-working class, anti-Western." Their theory is that the "peasant countries" of Asia and Africa and Latin America will eventually surround the "West." And they look to see the college intellectuals, not the labor leaders, forcing the eventual capitulation of capitalist society to the Maoists, the Castroites, and the idolators of that consummate guerilla failure, the late Che Guevara.

Professor Feuer is very much aware of contradictions in socialist thought that Marx and his successors in the Soviet Union have never been able to solve. Communism was supposed to lead to a genuine

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intellectual liberalization. But the Soviets don't even dare to discuss the origins of Stalinism. If they explain it along "historical materialist" lines, they have to admit that the system devised by Lenin was itself at fault in permitting the emergence of a cruel tyrant. If, on the other hand, they try to blame Stalinism on the "paranoid tendencies" of an individual, then psychoanalytic factors must be accepted as part of "social causation." No matter how they squirm, the Soviet intellectuals are caught by the "dead hand of official Marxist ideology." They cannot think for themselves when they are limited to "historical materialism."

An Honest Doubt

Though he began as a socialist, and presumably still thinks of himself as one, Professor Feuer has come to reject socialism as a "dialectic system." Our future development, he says, is shrouded in mystery because of "three basic aspects of indeterminacy." The "fall in the rate of profit" is not necessarily fated "unless extra-economic rigidities are added to the laws of economic theory." "There is no foretelling in the capitalist economy whether innovation will be predominantly of a capital-saving or labor-saving form." And, "most important, there is no way of foreseeing whether a given era will be marked by the dearth or the emergence of new great industries." The only advantage that socialism has over capitalism, in Professor Feuer's estimation, is that it "is an attempt to reduce the impact of economic indeterminacy on men's lives." As against the "advantage," however, there "remains the great question as to the extent to which an over-determined, over-planned and over-socialized economy can frustrate other components in men's psyches."

This is fair enough. If our student radicals were willing to debate the subject on Professor Feuer's terms, we might get somewhere. But I'd like to know how many college bookstores have stacked *Marx and the Intellectuals* in any depth on their shelves.

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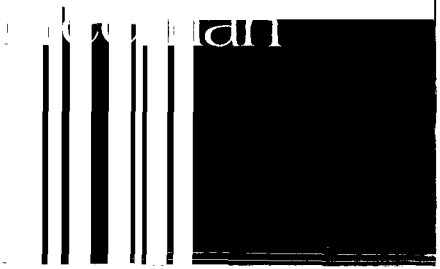

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